FBIS DAILY REPORT

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AREA FOREIGN MINISTERS MEETING MOVED TO SAN JOSE

PA301837 Panama City ACAN in Spanish 1736 GMT 30 Aug 85

[Text] Tegucigalpa, 30 Aug (ACAN-EFE) -- The meeting of foreign ministers of El Salvador, Costa Rica, and Honduras which was scheduled to be held in Tegucigalpa on Tuesday and Wednesday will be held in San Jose, Costa Rica. Honduran Foreign Secretary Edgardo Paz Barnica today announced the transfer of the site of the meeting which he had called to open a period of consultations on the Central American crisis and the Contadora Group's peace process. According to Paz Barnica, "it was agreed with Costa Rican Foreign Minister Carlos Jose Gutierrez that the site of the meeting will be Costa Rica and that it will be held on Tuesday and Wednesday."

"Costa Rican President Luis Alberto Monge will go on either Wednesday or Thursday to the UN headquarters accompanied by Gutierrez. Since we have to make the greatest use of time it is more convenient to hold the foreign ministers' meeting in San Jose than in Tegucigalpa," the Honduran foreign secretary said.

The Contadora Group, made up of Mexico, Panama, Venezuela, and Colombia, has been making efforts for the past 30 months to prevent a large-scale war in Central America. That group might possibly hold a joint meeting of Contadora and Central American foreign ministers to resume the consultations and briefings on the peace process. It was learned in the Honduran Foreign Secretariat that the new Contadora meeting is tentatively set for the middle of September. Hondurans, Costa Ricans, and Salvadorans have made some observations regarding the Contadora Document on Central American Peace and Cooperation and they hope that these will be incorporated into the document.

PANAMA'S ABADIA ON SIGNING OF CONTADORA DOCUMENT

PA030219 San Jose Radio Reloj in Spanish 0100 GMT 3 Sep 85

[Text] Panama -- Panamanian Foreign Minister Jorge Abadia Arias said today that the Contadora Group document for the pacification of the troubled Central American region could be signed this month, and warned of the urgency of this because war is approaching. Abadia said that this week -- without giving a date -- a meeting of Contadora Group plenipotentiaries will take place to prepare the meeting at which the foreign ministers will sign the peace and cooperation document. At the last Cartagena meeting, we agreed that the signing of the Document cannot be delayed any longer, the Panamanian foreign minister said. Contadora, formed in January 1983 by Mexico, Colombia, Venezuela, and Panama to find a negotiated solution to the Central American conflict, met last week in Cartagena, Colombia, with the so-called Lima Support Group formed by Peru, Uruguay, Brazil, and Argentina. We feel that the Central American countries are in a great hurry to arrive at a final agreement because war is near, Abadia Arias said.

CENTRAL BANK ANNOUNCES NEW ECONOMIC MEASURES

PY011657 Buenos Aires BUENOS AIRES HEARLD in English 1 Sep 85 p2

[Text] (NA-DYN) -- The Central Bank announcements which were widely expected on Friday evening ended up materializing yesterday afternoon. The seven measures announced maintained regular interest rates at 3.5 percent for savers and five percent for borrowers, reduced encashment requirements by one percentage point and broadened the permitted level of deposits at free interest rates.

Encashment levels are now 88.5 percent for interior and cooperative banks and 89.5 percent for others. Where the requirements is partial, the minimum percentage is now 45.5 for government and foreign banks, 56.5 for co-operative banks and 51 percent for all others. These banks will have to, respectively, back loans with 26 percent, 40.5 percent and 33 percent of their assets.

Banks will be allowed to issue three percent more credit this month than they did in August.

The decision to broaden free money markets implicitly confirms the failure of telephone bonds (letra telefonicas) to attract funds. The lowering of the encashment requirement had been announced at a Radical party meeting on Thursday night by senior Economy Ministry official Jose Luis Machinea.

The move is designed to improve liquidity and bring down interest rates. Economy Minister Juan Surrouille promised leaders of the Argentine Industrial Union (UIA) lower interst rates on Friday night after the manufacturers requested permission to transfer 200 percent annual interest rates to prices.

The two sides also reportedly discussed how to emerge from the wage-prize freeze, with prior agreements on price stability and a promise only to award wage hikes on the basis of productivity proposed. The UIA is hosting Sourrouille tomorrow on Industry Day.

President Raul Alfonsin is expected to announce the second stage of the austral plan on his return from France late this month with the lifting of the freeze, economic recovery measures and investment incentives as the main features.

Meanwhile, the daily LA RAZON yesteday said the Central Bank will be revealing next Thursday how frozen dollar deposits are to be returned. The Central Bank had earlier decided to start returning all deposits worth less than 1,500 dollars this week but now has "new and better ideas." The dollars are due back on September 16.

Another outstanding issue is whether the strict solvency requirements are to be relaxed. Many banks have borrowed at high interest rates and the present surcharge on arrears is 250 percent higher than the rediscounting rate. Even so, many firms prefer to place money on the intercompany market and pay the surcharge, a phenomenon which is draining the financial system.

DEFENSE MINISTRY DENIES SPECULATION CHARGES

PY290400 Buenos Aires NOTICIAS ARGENTINAS in Spanish 0100 GMT 29 Aug 85

[Text] Buenos Aires, 28 Aug (NA) -- The Defense Ministry reported tonight that "low- and mid-level personnel" from the Air Force and other state organizations "may have been the victims of unscrupulous financial maneuvers performed by irresponsible agents."

In a communique released tonight, the Defense Ministry denied what it called "anonymous charges of speculation involving Air Force personnel." However, ministry spokesmen have said they are not familiar with the maneuvers or swindling operations which the communique refers to. The communique also stated that Air Force Chief of Staff Brigadier General Ernesto Crespo has ordered the opening of a summary proceeding "in order to establish any possible disciplinary or ethical implications of Air Force personnel." However, the communique did not say what actions would be investigated nor who would be affected. Neither did it identify the media that received the anonymous charges. The final paragraph of the communique points out that "the summary proceeding will continue despite the pressure exerted through leaflets, such as the one described above, that seek to hinder court action."

DELEGATION TO OTTAWA TO PROPOSE FALKLANDS TALKS

PY312237 Madrid EFE in Spanish 2048 GMT 31 Aug 85

[Text] Buenos Aires, 31 Aug (EFE) -- Argentine congressmen who will participate in the conference of the Inter-Parliamentary Union to be held in Ottawa (Canada) will seek the resumption of negotiations with Great Britain over the Malvinas Islands. Julio Amadeo, a Peronist senator and vice president of the Argentine delegation, today told EFE that the Argentine congressmen will propose the resumption of negotiations to restore immediately Argentina's sovereignty over the Malvinas, South Sandwich, and South Georgia Islands. The Argentine delegation is headed by Radical Civic Union Senator Carlos Becerra, who said the conference will discuss subjects such as (?apartheid, Middle East, and Central America), and added that Argentina has not yet adopted a position on these subjects. Regarding the Central American crisis, Becerra said that the Argentine congressmen will defend the preservation of peace in the region through the action of the Contadora Group. The official congressional delegation will propose to the union that the next meeting of the organization be held in Buenos Aires in October 1986.

NICARAGUAN SPOKESMAN ON MEETING WITH ALFONSIN

PY311830 Buenos Aires BUENOS AIRES HERALD in English 29 Aug p 11

[Text] (NA-DYN) -- President Raul Alfonsin expressed his support yesterday for the draft constitution drawn up by four different Nicaraguan political parties for that Central American republic. Delegation spokesman Humberto Solis Barker said after their meeting with the president that Alfonsin had expressed his full support for the content of the proposed Magna Carta "as long as Nicaragua continues along that line." Barker, representing the Sandinist Liberation Front (FSLN), explained that the constitution would be based on the principles of nonintervention in the internal affairs of other nations, non-alignment, mixed economy and self-determination. Other members of the delegation are from the Conservative Democrat Party, the Christian Socialist Popular Party, and the Marxist-Leninist Popular Action Movement. Barker also said the group was very "enthusiastic" over the work in Cartagena of the support group, of which Argentina is a member, to the Contadora Group of Lima substantially "strengthened" the Contadora Group and urged it to "continue in those efforts which will lead us to lasting peace." [as received]

The delegation of the Nicaraguan National Assembly arrived last Sunday at the invitation of Congress to "familiarize themselves with the Argentine constitutional experience and strengthen ties between both countries' parliaments." The delegation said different government systems were being studied to come up with a constitutional model "adjusted to Nicaraguan reality." Opposition factions in Nicaragua would also be consulted in view of this, they affirmed, while pointing out their country is undergoing a "revolutionary process, facing aggression from the United States and fighting against a series of difficulties" with a highly positive attitude.

UNIONS, WORKERS PROTEST NEW ECONOMIC MEASURES

COB Denounces New Measures

PY301605 La Paz Cadena Panamericana in Spanish 1130 GMT 30 Aug 85

[Communique issued by the Executive Board of the Bolivian Labor Federation following its 29 August meeting]

[Text] Herewith is the Bolivian Labor Federation's [COB] position regarding the new criminal economic policy that is not in keeping with the country's interests:

Today, as in the past, we workers continue to be the propitiatory victims of past governments, which have placed the entire burden of the crisis on the shoulders of the exploited workers of the country. The incoherence of the economic measures that are constantly being implemented has forced the workers to live under truly inhuman conditions. This was admitted even by President Victor Paz Estenssoro. However, we believe the economic policy that has just been implemented favors the interests of a class that continues to control power, this time, through democratic means.

Although the government had explicitly promised to respect the workers' achievements at all levels; to maintain the purchasing power of salaries; and to guarantee the policy of labor freedom, job security, the strengthening of the Agricultural Peasant Corporation [Coraca] and other institutions, in practice it has done away with all our achievements by taking a difficult path clearly aimed at serving the interests of the new clique and imperialism.

This fully confirms our previous statements and time is proving us correct. We had no hopes that the measure would entail changes in the IMF policy of President Paz Estenssoro's government. At the same time, it represents an open provocation to the workers. The workers' achievements, which are the result of many years of struggle, have been overlooked; their salaries have been frozen and at the same time reduced. In addition to all this, the prices of staples and consumer goods have been allowed to rise.

It has been stated that the measures implemented today seek to curb hyperinflation, but apparently the dollar will only be floated. As a consequence, far from curbing inflation, they will increase it and force it into a spiral, thus subjecting the people of Bolivia to greater hunger and misery.

There is talk about reactivating the production apparatus. However, there is not a single measure aimed at tackling this vital problem. Quite the contrary, job security is overlooked and the way has been paved for increased unemployment with the mass dismissal of workers in addition to the liquidation and decentralization of enterprises of vital importance, thus starting a complete denationalization of our economy.

For all these reasons, the COB hereby declares a general mobilization of all workers, whom it urges to remain united around their respective labor unions. It also instructs the departmental labor unions, national organizations, confederations, and federations and all labor [words indistinct] to evaluate and analyze the situation stemming from the implementation of the recent economic measures. This may be done during the weekend and on Monday, 2 September, in order to adopt a definite stance, [words indistinct] of the national meeting that the COB Executive Board is summoning for Tuesday, 3 September, at 1430 at the Teachers Club in order to adopt a definite stance.

La Paz, 29 August 1985
Signed: National Executive Board of the COB

Police Interrupt Workers Meeting

PY301906 La Paz Cadena Panamericana in Spanish 1700 GMT 20 Aug 85

[Excerpts] A meeting staged by public servants at the Labor Ministry, undoubtedly to protest the recent economic measures, was interrupted by members of the police forces. The labor minister did not like it at all when his employees, instead of doing their jobs, engaged in activities which, during the government of the Democratic and Popular Unity, easily turned into anarchism. The following are statements by Guillermo Videla, executive secretary of the Labor and Labor Development Ministry.

[Begin Videla recording] The Labor Ministry Union was holding an assembly at 0900 [1300 GMT] to discuss economic measures implemented by the government. While the meeting was under way, the labor minister arrived and in a very arrogant manner, tried to suspend the meeting and intimidate our rank and file leaders. He threatened us with police intervention if we did not end the meeting. This is exactly what happened. Members of the police forces, armed and carrying tear gas bombs, entered the ministry building about half an hour ago, probably with instructions to arrest union leaders. As you can see, the ministry is surrounded by policemen and there are more police inside the building who are armed not only with tear gas bombs, but also with guns, which is a way of intimidating the rank and file members and any persons who want to demand the right to a job and to eat. [end recording]

Police Deployed in La Paz

PY310149 Madrid EFE in Spanish 0122 GMT 31 Aug 85

[Text] La Paz, 30 Aug (EFE) -- Heavily armed Bolivian police personnel were deployed throughout this city tonight to put down possible social disturbances resulting from the new government economic policy enacted today. Throughout the day streets were blocked in poor neighborhoods as workers organized meetings to discuss the harsh economic measures of Victor Paz Estenssoro's administration. However, Minister of Information **Reynaldo Peters** said that it is unlikely that the government will declare a state of siege. In the course of a telephone conversation with EFE, Minister Peters denied the report of United People's Front Deputy Antonio Aranibar to the effect that the government has signed a decree declaring a state of seige.

State of Siege Rumored

PY302354 Madrid EFE in Spanish 2303 GMT 30 Aug 85

[Text] La Paz, 30 Aug (AFP) -- Government sources today reported that President Victor Paz Estenssoro's administration is ready to declar a state of siege in Bolivia in the event of a possible workers onslaught against the new economic policy. Shortly after this information was released, Antonio Aranibar, deputy for the United People's Front (FPI) reported that the government had signed a decree establishing the state of siege in Bolivia to be used if there was a social reaction against the new measures. Juan del Grando, leader of the Masas faction of the Movement of the Revoluntionary Left (MIR-MASAS), confirmed Aranibar's report and stated that Paz Estenssoro has instructed the Armed Forces and the police to enforce the state of siege.

The government has not bothered to disguise its fear of the protests of the workers against the economic policy which was announced on 20 August and implemented today. In keeping with this policy salaries were frozen, the dollar was put on a fluctuating exchange rate, several state-owned corporations were closed down, and the labor unions of the public administration workers were disbanded.

Gonzalo Sanchez de Lozada, president of the Senate and member of the ruling party, indicated that the administration does not know whether the new measures will be successful or not. What the administration does know is that the government has played the only card it had, even at the risk of having to step down, the senator emphasized when defending President Paz Estenssoro's decision to implement a realistic economic policy.

Today the city woke up partially paralyzed by a transportation strike, the stores and banks were closed, and a few grocery stores were openly speculating, claiming to follow the brand-new free-pricing policy.

The Bolivian mineworkers federation termed the economic measures criminal, while Juan Lechin Oquendo, top Bolivian labor leader, termed them Pinochet-like, obviously referring to Chilean President Augusto Pinochet's economic policy. This description has stuck and on the streets and in the factories and public offices the people are protesting against the Pinochet-like decision [Pinochetazo].

The police today moved into the Labor Ministry to break up a meeting of workers who were protesting the new economic measures. However, most workers are waiting to hear from the miners, the spearhead of Bolivian popular struggles, who in turn are waiting for the Bolivian Labor Confederation (COB), the umbrella trade organization, to make up its mind.

Meanwhile, the congressional block of the Movement of the Revolutionary Left (MIR), Bolivia's third largest party, today submitted a bill proposing that the cabinet be questioned on certain aspects of the new economic plan. The MIR, led by former Vice President Jaime Paz Zamora, wants to know the inflation targets for the coming months, and the estimates of the fiscal deficit and the projections of currency issuance. The MIR also wants to know the government's estimates regarding the behavior of the gross domestic product and employment, the loss of purchasing power of wages, and the overall increase of prices as a result of the dollarization of the price of gasoline. The MIR would like to ask the administration what measures have been taken to prevent a decline of income distribution and why the system of allocation of foreign currency is detrimental to productive sectors.

Rumor Denied

PY311259 La Paz Cadena Panamericana in Spanish 1130 GMT 31 Aug 85

[Text] Information Minister Reynaldo Peters has denied rumors spreading in political circles that the government intends to implement a state of siege. Peters said that President Victor Paz Estenssoro's government does not intend to resort to such a measure because it is certain that the people will cooperate with their sacrifice and understanding for the success of the economic measures implemented on Thursday, 29 August. The minister added that these rumors are being spread by obscure politicians who during the recent elections proved they had no support and now are resorting to demagoguery and deceit.

Minister Warns Against Disorder

PY311252 La Paz Cadena Panamericana in Spanish 1130 GMT 31 Aug 85

[Text] President Victor Paz Estenssoro's government has stated that it will resort to all necessary measures to prevent the order established in the country from being disrupted.

Twenty-four hours after the government released its new economic model, Interior Minister Fernando Barthelemy disclosed the government's decision to resort to all necessary measures to prevent order from being disrupted.

He said that the government does not think reactions aimed at disrupting order will occur since everyone is aware that the country is experiencing a crisis that must be solved through the implementation of harsh and drastic measures. The minister thus expressed his confidence that the people will not carry out any type of demonstration that might disrupt order in Bolivia.

Although the minister did not say what he was referring to, it is believed that the Interior Ministry will resort to the police forces to prevent rallies and demonstrations in the city with the purpose of inciting disorder that may lead to situations that prevailed in the past. According to sources of the Bolivian police forces, there is an Interior Ministry measure ready to be implemented at any moment that is aimed at preserving order and guaranteeing the citizenry's peace.

Minister Barthelemy said that he is determined to resort to the tools he has at hand in order to confront any attempt to create chaos and anarchy. Yesterday, the Interior Ministry and other security organizations began joint actions aimed at preventing public disorder.

Groups' Reactions Reported

PY311741 [Editorial Report] La Paz Cadena Panamericana in Spanish at 1130 GMT on 31 August reports that it "can be sensed that the Bolivian people unanimously reject the measures imposed by the government of the Nationalist Revolutionary Movement [MNR]. The new economic model has been termed a plan that goes against the people's interests and is harmful to the have-nots, who are the majority sector in the country."

"Panamericana has received a series of documents that show this rejection of the plan."

"The Departmental Labor Central of La Paz held a meeting during which it was decided to condemn the MNR government's attitude."

"The FUL [Local University Federation] maintains that it has started a popular mobilization. Outstanding portions of the document issued by the university leaders state that people have started to react to the antinational economic measures issued by the MNR."

"The La Paz Factory Workers Federation states that a true and brutal offensive against the workers has started. Noteworthy passages of this group's document state that the factory workers must realize that with the implementation of this package of economic measures, the bourgeoisie of the country, imperialism, and the IMF have started a true and brutal offensive against the organized workers movement, against our labor unions, against the basic rights of our people, etc."

"The National Telecommunications Enterprise workers union also denounces to the public the implementation of the economic policy inspired by the MNR and the Nationalistic Democratic Action [ADN] to the full detriment of the country as a whole and the achievements of the workers in particular. In addition to completely rejecting the plan, they urge the Bolivian Labor Federation [COB] to carry out joint actions to defend the interests of the majority sectors."

"The ENTA [National Transportation Enterprise] workers have stated that the dissolution of this enterprise as a consequence of the famous principle of supply and demand promoted by the government's economic policy will force the impoverished public transport users to mobilize themselves on foot because they do not have the necessary resources."

Continuing, the announcer says that "the confederation of railway workers, for its part, has declared a state of emergency."

"During a press conference the workers of the Bolivian Development Corporation [CBF] completely rejected the government's decision to dissolve this corporation and gave the media a full report on the activities of the CBF to prove that it is not working at a loss."

"According to Juan Lechin Oquendo, the main leader of the Bolivian Mineworkers Federation, one does not need to have an economics degree to realize that the economic plan implemented by the MNR goes against the interests of the majority sectors. Lechin made these statements in Santa Cruz city during a press conference yesterday, 30 August, when he harshly criticized President Victor Paz Estenssoro."

"As of today, the mineworkers of Bolivia will start a 48-hour stoppage to protest the economic plan implemented by the MNR," adds the announcer.

Toribio Hinojosa, executive secretary of the Departmental Labor Central of la Paz, has said that the "workers of La Paz Department are in a state of emergency and that next week all labor sectors of this department will start mobilizations."

Armed Forces Chief Quarters Troops

PA011624 Madrid EFE in Spanish 1503 GMT 1 Sep 85

[Text] La Paz, 1 Sep (EFE) -- The commander in chief of the Bolivian Armed Forces has ordered the quartering of troops in all the military barracks throughout the country to guarantee public peace, security, and calm. An official communique issued by General Simon Sejas Tordoya, commander in chief of the Armed Forces, states that the quartering of troops will begin at 0000 hours (local time) on Monday, 2 September. The communique was addressed to the Bolivian Army, Air Force, and Navy. It contains precise instructions that all measures necessary for guaranteeing social security and calm be adopted. The military leadership also instructed its motorized units to cooperate in transporting the people. The Armed Forces will guarantee the application of the economic measures adopted by the government of President Victor Oscar Villa Orioste has said.

The social tension became more acute in Bolivia after the workers rejected the new economic policies and announced that they would carry out protest demonstrations as of Monday. Several sectors are already on strike in spite of an Interior Ministry warning that it will not allow interruptions in labor activities. The government has declared a state of emergency and ordered the quartering of the police. It has warned that it will enforce respect for authority. Mining districts have paralyzed their work for 48 hours and factory workers of the city of Cochabamba, one of the most important of Bolivia, have gone on an indefinite strike.

GOVERNMENT WANTS INTERNATIONAL ANTIDRUG FRONT

PY021631 Madrid EFE in Spanish 1852 GMT 1 Sep 85

[By Amanda Avila]

[Excerpt] La Paz, 1 Sep (EFE) -- The Bolivian Government will propose the creation of an international organization to fight drug trafficking. This proposal could be made at the opening session of the 40th UN General Assembly on 30 September, which President Paz Estenssoro will attend. Colonel Guido Lopez Villegas, chairman of the Narcotics and Dangerous Drugs Department, has said that the UN Assembly should be an appropriate forum to create a common front to fight the drug trade. Lopez said that Mexico, which is also facing increased drug trafficking activities, is willing to support the Bolivian proposal at the United Nations.

PINOCHET SAYS NATION SOVIETS FIRST DEFEAT

PY310354 Paris AFP in Spanish 0333 GMT 30 Aug 85

[Text] Santiago, 29 Aug (AFP) -- President General Augusto Pinochet asserted today that Russia had never lost a war until it encountered Chile. Now it has, and this is the reason that Russia concentrates all of its efforts, means, and intelligence in an attempt to annihilate us. Speaking to bank clerks, the president made an appeal to all Chileans to unite against communism and not let themselves be deceived by the communists who have already brainwashed people, old and young alike, who do not realize that they are playing the Russians' game. He pointed out that now the Soviets are attacking fiercely, because we are the one and only stronghold in the world that has resisted and expelled them. General Pinochet used a military metaphor to stress the situation Chile is facing: When I am in combat and the troops have discovered an enemy stronghold entrenched on my road to victory, I concentrate all efforts on annihilating this remaining bastion. He added that this bastion is Chile and, referring to his opponents, he said that we should unite again, unite and tell the fools not to play into the hands of the Russians. Pinochet asked them to double their commitment to the ideals that inspired the Armed Forces to overthrow the late socialist President Salvador Allende on 11 September 1973.

ADM MERINO DENIES ATTACKING CARDINAL FRESNO

PY311724 Santiago Domestic Service in Spanish 1100 GMT 31 Aug 85

[Text] Admiral Merino has explained his opinion of the so-called National Accord for a Transition to Democracy. In a letter, the admiral says that he has never referred to the person of his eminence Cardinal Juan Francisco Fresno. The Navy commander and Government Junta member adds that in reply to a question by a newsman regarding his opinion of the document, he referred to the participation of well-intentioned politicians whose noble intentions are being enhanced, just as occurred in our historic experience of the notorious agreement on constitutional guarantees [preceding Salvador Allende's election]. Admiral Merino states that if anyone has tendentiously wished to associate his statements with the person of the cardinal, he deplores this interpretation. He concludes: As a Christian and as a Catholic, I fully appreciate the valuable personality of the cardinal, for whom I harbor the greatest respect and affection.

CARDINAL FRESNO CALLS FOR SUSPENSION OF PROTESTS

PY021639 Madrid EFE in Spanish 2538 GMT 1 Sep 85

[Text] Santiago, 1 Sep (EFE) -- Cardinal Juan Francisco Fresno, archbishop of Santiago, has decided to suspend the mass he was going to say on 4 September, the first anniversary of the death of the French priest, Andre Jarland. Jarland died in the workers' neighborhood of La Victoria when, according to the investigations, a bullet fired by Carabineros went through the wall of his house and struck him in the head, killing him instantly. "From the abyss I call for thee, O Lord," was the psalm Father Jarland was reading when he died during a day of protest against the military regime of General Augusto Pinochet. I have learned that the mass I was going to say with other priests at the cathedral on the occasion of the anniversary of the regretful death of Father Jarland was going to be used for other purposes, Cardinal Fresno stated. Therefore, reluctantly, I decided to suspend it. Moreover, Cardinal Fresno also called for the suspension of the national day of protest called by the National Workers' Command and scheduled for 4 September. Once again, a call for a day of protest has been made, the cardinal stated. He recalled the sad experience of other demonstrations, and said that protests only lead to violence and destruction.

BANKER, KIDNAPPERS KILLED IN POLICE ASSAULT

PY021829 Paris AFP in Spanish 1728 GMT 2 Sep 85

[Text] Guayaquil, 2 Sep (AFP) -- Radio Nacional, the state-owned radio station that is subordinated by the National Public Information Secretariat -- which performs the duties of an information ministry -- has reported that three Colombian and one Ecuadoran kidnappers died today together with their hostage, Ecuadoran banker Nahim Isaias.

The Colombian kidnappers are Gloria Mendoza, Patricio Rivadeneira, and Fabian Medina Filisterra; and the Ecuadoran kidnapper is Fernando Rojas Rivadeneira. They were all shot to death early this morning when a police-military commando stormed the house in which they were holding Isaias hostage. Isaias, who was also shot at least three times, died a few minutes later. A fourth Colombian who was shot to death early on Saturday, 31 August, has not yet been identified. He was shot in the forehead, possibly by marksmen during one of the three shoot-outs that occurred in a 4-hour period in La Chala. The fourth terrorist, whose picture is published today by the local press, was turned over to the Red Cross by his comrades on Sunday morning. The Colombians are members of the M-19 movement and the Ecuadorean is a member of the Alfaro Lives, Damn It group.

Febres Cordero Statement

PA022120 Quito Domestic Service in Spanish 1743 GMT 2 Sep 85

[Statement by President Leon Febres Cordero during press conference given in office of the provincial governor of Guayaquil -- live; broadcast in progress]

[Text] ...subversive terrorist Colombian and Ecuadoran individuals, for political and criminal reasons, kidnapped Ecuadoran citizen Nahim Isaias Barquet. This sad chapter in Ecuadoran life, which forces the national government to resort, within the Constitution and the law, to all possible mechanisms to ensure that there will not be a recurrence in our Republic, had the outcome that was announced to you early this morning. I will relate, in the most specific, brief form, what has occurred in the past 72 hours, so that the Ecuadoran people, the only judge of the events that take place in the Republic, can be duly informed of the facts directly by the constitutional president of the Republic, who could do nothing else but assume the responsibility of directing the joint operation of the national government, Armed Forces, and national Police. The results of that operation are already known to the public.

The kidnapping of Nahim Isaias Barquet was carried out by two subversive terrorist groups that are intrinsically [word indistinct]: the M-19 [19 April Movement], of Colombia, and the Alfaro Lives, Damn It group, which is, unfortunately, Ecuadoran in origin. Who is involved in this serious crime so far? Fifteen terrorists of both sexes, men and women, most of whom are Colombian, with the participation of some Ecuadoreans. Of these, eight have been arrested, and seven were killed because they resisted the legitimate, legal, constitutional, and above all, moral action of the public forces. The demands of kidnappers [words indistinct] the kidnappers, for the first time when they were detected and physically located by a police unit as part of a program designed by the national government and mobilized from the capital of the Republic, made up of elite personnel of our national police in the continuous struggle against crime and, above all, against terrorism. Drug trafficking is closely linked to terrorism, and consequently linked to subversion.

Within the chapter experienced, a chapter that was lengthy, dramatic, and tense -- because not just the life of an Ecuadoran citizen was at stake, but the peace of Ecuadoran society -- we received several petitions that we were obliged to keep from the public for obvious reasons of strategy and the pursuit of a particular objective, which was to rescue Iasias alive.

I have in my hand, as usual, [as heard] authentic documents, handwritten documents, which are exactly identical: One is addressed to the president of the republic, and the other, which had been retained by the terrorists, and is stained with blood, as you reporters can see, was found after this morning's events. Allow me to take up some of your valuable time for the benefit of the Educadoran people, about whose peace we are continually concerned, because it is an essential motive for our actions. Peace comes from order, and that peace engenders the well-being of our people, who are worthy of better days. The people must be informed thoroughly, in detail -- but when circumstances permit this, such as now -- not before, when releasing this information to the public would have definitely been counterproductive for reasons that we all understand. The nine million Ecuadoreans with very few exceptions (?know) who belongs to these subversive terrorist groups, unfortuantely sheltered by high levels, [words indistinct] They deserve to hear the details:

[Febres Cordero begins reading document] Mssrs members of the national government, we, the militants of the organizations.... I beg you listen closely, because for the first time, they are revealing themselves. They who have been talking to us about (?justice), of defense of the highest popular interests, of struggling and being prepared to shed their blood, quote, unquote, for the high interests of the Ecuadoran people, today are taking off their masks and showing us clearly who they are: common criminals, social misfits, drug traffickers, drug users, outcasts from Ecuadoran society, who are seeking, through the use of violence and weapons, to destroy a community whose sole desire is to work to achieve their well-being.

We, the militants of the political and military organizations of Ecuador, in parentheses, Alfaro Lives, Damn It, and of Colombia, parenthesis, 19 April Movement, M-19, close parenthesis, announce to you that we are holding the banker Nahim Isaias Barquet, to whom we have so far extended the best attentions. However, in compliance with our commitment to the people, we are prepared to kill him, even at the cost of our lives, if you fail to meet the following demands:

1. The release of all our companeros and collaborators arrested (?in the course of) our operations, the sole objective of which is to finance the revolutions of brother peoples. And I [Febres Cordero] add, to finance the revolutions of brother peoples with Ecuadoran blood.

2. We demand the delivery of $5 million in bills of various denominations.

3. We demand an airplane with sufficient fuel -- as well as with a pilot and copilot -- to carry us all out of the country, parenthesis, prisoners, the injured, collaborators and us, close parenthesis.

4. We demand the immediate presence of representatives of the International Red Cross, Msgr Bernardino Echeverria Ruiz, archbishop of Guayaquil; Social Christian Deputy Eduardo Carmigniani, and a member of the Isaias Barquet family -- excuse me, [rereads] Social Christian Deputy Eduardo Carmigniani; Abdala Bucaram Ortiz, mayor of the city, and a member of the Iasias Barquet family -- as members of a negotiating commission between the government and us. They must bring a camera to photograph the hostage. Effective at the time of the delivery of this communique, you have a period of 12, in numbers, followed by parenthesis 12 in letters, close parenthesis, hours, for the negotiating commission to present itself here, and 12, in numbers, followed by 12 in letters in parentheses more hours, to meet all the other demands. Otherwise, we will meet our objective by executing our hostage. Freedom or death, Alvaro Lives, Damn It. To power, with the people, with weapons, 19 April Movement, M-19 [end of reading]

Ecuadoran people, representatives of the media, what were the mechanisms used by the terrorists, the common criminals, to carry out this act of blackmail? Last night, or rather early this morning, they gave a final ultimatum to the national government, until 0930 today, to meet their demands, demands that changed throughout the 48 hours that this dramatic chapter has lasted, [words indistinct] last night.

The national government was to place at their disposal an ambulance and a bus to take them from the apartment where they were closeted at La Chala, to the airport in Guayaquil, so that they could board an airplane, provided by the government, to take them to Quito. However, in the bus, they were to be accompanied -- at the time we did not know how many people there were; we did not have a precise idea of how many were involved -- not only Nahim Isaias Barquet, who had been kidnapped by them on 7 August 1985, but also Carlos Pareja, a lawyer and private secretary of the president of the Republic, who had been talking with them by telephone as the president's representative, and Luis Chiriboga Parra, president of the Ecuadoran Red Cross.

In Quito, they were to be picked up at the international airport by a diplomatic car of the Nicaraguan Embassy, where the Ecuadoran Government would have to guarantee them political asylum, something beyond its capability. Once the terrorists were inside the Nicaraguan Embassy, accompanied by the three hostages -- no longer just one, but three: Nahim Isaias Barquet, Carlos Pareja, private secretary of the Presidency, and Luis Chiriboga Parra, president of the Ecuadoran Red Cross -- the hostages would be held until the family delivered to them $1 million in small bills. Only then would they release the three hostages: the hostage kidnapped on 7 August, and the two new hostages, Carlos Pareja and Luis Chiriboga Parra.

They gave the national government until 0930 today to meet their requests; otherwise, they would sacrifice Nahim Isaias Barquet -- which regrettably did occur -- and they would detonate three gas tanks, which they said were strategically placed in the apartment where they were located, along with many sticks of dynamite. Indeed, they told Pareja, with whom they had developed some sort of rapport, because he was the only person who talked to them and who had become their last hope, that he should leave the area immediately to save himself, and that he should get the national government to evacuate the entire area to prevent the blood of innocent people from being shed.

What was the decision of the constitutional president of the Republic in the face of this monstrosity? Despite the fact -- and by the way, I have here the paper on which I wrote down the latest demands of the kidnappers as I was informed of them.... [changes thought]. What motivated the raid? Why storm the place? Despite the fact that this barbarous position involved an unacceptable proposal -- unacceptable not only for the country's sovereignty because most of those who were in the apartment, as has been confirmed today, were Colombian citizens, but also unacceptable to the Ecuadorean people who, as orderly, Christian people reject the crime of terrorism, and the fact that we had absolutely no guarantees that the first hostage, Nahim Isaias Barquet, was still alive -- we acted always with the most absolute prudence and careful thought. For over 48 hours -- a lengthy period in which I personally took responsibility, we did everything humanly possible to convince the terrorists to surrender to the national authorities, telling them that the national government would guarantee their lives and physical safety, as it has guaranteed the lives of those who are in custody today, either in the jails of the national police, or in rooms at the Luis Vernaza or Territorial Hospitals.

However, our posture of careful thought and restraint, of continuously urging the subversives to lay down their arms and turn over Mr Isaias to us unharmed, was flatly rejected on more than one occasion by those who had committed the crime.

In view of the increased demands -- because now the subversives were not talking about the life of a hostage in exchange for economic demands, but were involving the security of three Ecuadorans no longer just Mr Isaias, but also Pareja and Luis Chiriboga Parra -- in the face of the unacceptable risk of endangering the community and even Ecuadoran homes that are adjacent to the hideout -- the homes of Ecuadorans who had nothing to do with this matter and who did not deserve and do not deserve the great tension of all kinds to which they have been subjected by the terrorists, and in view of the rash threat to kill, to sacrifice Nahim Isaias -- I, Leon Febres Cordero, constitutional president of the republic by decision of the Ecuadoran people, make the decision as an official. I was aware of the risks involved, but I considered, above all the immediate and subsequent future of the Ecuadoran people, and decided to stage a raid by a highly specialized and sophisticated group of our antiterrorist Armed Forces, who are specially trained for that kind of task, a task that, as all of you and the Ecuadoran people realize, involves serious risks for the hostages, but was the only way to avoid giving up Ecuadoran sovereignty to the domination of foreigners and to prevent the conscience of all Ecuadoreans from being trampled upon.

How was this operation carried out? Using explosives of a very special type, personnel of the Ecuadoran Armed Forces' antiterrorist group gained access to the location almost immediately after the detonation of the explosives used. The field of action of these explosives is very limited, as they simply blast out obstacles to reach a given place. This action was almost simultaneous, almost in synchronization. I heard it over the telephone because my phone was connected with the scene of the events, or very close. Three sporadic shots rang out. As revealed by the autopsy performed on Nahim Isaias, one of those shots killed him, without the slightest doubt.

There was resistance to the entry of the forces, which had not fired any shot up to that moment and had only blasted open possible ways of access. Resistance was put up with guns. As a matter of fact, one of the members of the special group was wounded. Even a homemade grenade was hurled and detonated. The Armed Forces' special group repelled the attack and the four terrorists who were holding Nahim Isaias, who was immediately taken away, were killed. And please allow me to make this digression: We had a team of doctors ready, will all modern scientific means, an ambulance, and even a plane ready for immediate use to take the wounded victim abroad if necessary.

Messrs members of the press, this is a very brief account of the unfortunate developments of the last 72 hours. Before answering any questions, please allow me to read, which I normally do not do, something I have taken the liberty of writing before appearing at this news conference. It is a sort of message to the Ecuadoran people, whose safety and well-being I am dutybound to permanently guarantee.

Once more, I reiterate what I said in my presidential message of 10 August. We will fight terrorism as the worst crime against society. The special group we have formed specifically to fight terrorism will continue its in-depth investigations, 24 hours a day, 365 days a year. [Words indistinct] very advanced invesgitations which will allow us to capture the actual perpetrators and masterminds, accomplices, accessories, financiers, and inspirers of these despicable crimes.

Within the next few days we will submit to the National Congress a bill to amend the criminal code, on which [names indistinct], the best criminal lawyers in the country are working at this moment. This bill will contemplate life sentences for kidnappings such as this one that we have just experienced; for the raping of minors; and for rape in conjunction with murder, because we feel, Ecuadoreans, that this is the time of the homeland against the unpatriotic. This is the time of those of us who respect all ideologies without discrimination as long as they act within legal boundaries. However, we will suppress crime regardless of its source, whether it is the left or the right.

This is a time, Ecuadoreans, when the people want to know, as they do now, that the government is enforcing and will enforce respect for our national sovereignty as well as individual and collective security above all else. This is also a time for the Ecuadoran people to know if the political opposition at the Congress and everywhere else upholds a decent although belligerent attitude and a respectable ideology -- not shared by us -- or if it is a simple courier of international terrorism, [words indistinct] extremism, terrorism, and kidnappings, which violate the most elementary rights of all Ecuadoreans. Thank you. [applause]

'ALFARO LIVES' GROUP PROTESTS DEATH OF MEMBER

PA020228 Paris AFP in Spanish 0009 GMT 2 Sep 85

[Text] Quito, 1 Sep (AFP) -- The subersive group "Alfaro Lives" has protested the death of Juan Acosta Coloma, presumably a member of this political movement, which took place last Thursday in Guayaquil following a shootout with public force members.

The "Alfaro Lives" group said that Acosta was tortured by security agents after being wounded in a leg, causing "internal hemorrhaging."

The political movement has accused the government of "bringing FBI agents, and Colombian and Spanish security agents, to the country."

The communique issued by "Alfaro Lives" and delivered to the news media issues a call to "human rights" organizations and Amnesty International, urging them to intervene and start investigating the case.

It asserts that, "despite everything, they will not be cowed by anyone or become desperate."

Acosta Coloma was buried immediately here, brought from Guayaquil by his parents. His parents will offer a mass for him next Tuesday at El Giron Church.

The communique states that Acosta Coloma, son of former Foreign Minister Francisco Acosta Yepez, died in Guayaquil "defending his noble ideals, for which he gave his life."

PRIME MINISTER ALVA CASTRO ADDRESSES CONGRESS

PY280141 Lima Television Service in Spanish 0021 GMT 27 Aug 85

[Prime Minister Luis Alva Castro's speech to the Congress in Lima -- live]

[Excerpts] Mr President of the Congress, Messrs representatives, in compliance with a constitutional provision, we have come to explain before the national Congress the government's general program and to discuss with the representatives of the people the program's essential points, goals, strategies, and scopes.

The popular origin of the legislative and executive branches and our joint political willingness to transform the country demands that we find, through a respectful exchange of ideas and a dialogue based on the plurality of viewpoints, the substantive basis of a national consensus which permits us to implement changes, a decision expressed by our people in the 14 April elections.

We are facing a challenge of which the historical nature cannot be overlooked. The Peruvian people have given us a mandate to transform the country using democratic means, as historical experience shows, blending the social revolution and the political democracy. This is the most complex challenge that a society can pose for its leaders. This huge challenge acquires a dramatic character when combined with the restrictions imposed on us by the deep crisis we inherited.

This task demands a new concept of the responsibilities of government, a national perspective in coping with the problems, and the painstaking drafting of a new methodology which, based upon dialogue and the search for concurrences, permits us to reconstruct the country along with the action that transforms it.

The government program that we are presenting today is based on the diagnosis of the historical evolution of the Peruvian society as well as on an analysis of the deep crisis experienced by our country in the past decade.

As the president has stated in his speech of 28 July, the current crisis can only be understood in the light of the historical process that produced it and the way the Peruvian society and state organized themselves. The establishment and the development of the Peruvian Republic, although it generated a new system of political institutions, failed to overcome the colonial pattern and the dependent structure of our socioeconomic organization.

Peruvian society hasbeen essentially characterized by its dependency on international economy and trade. Our national standard of living has been shaped abroad through the will and the interests of the great imperial powers.

Thus, the old imperial dependency, which began in the 16th century, and the financial and commercial dependency, which began in the 19th century, gave way to the 20th century and new patterns of dependency, the nature of which was determined by the development of capitalism and imperialism.

Hence, during the first decades of the 20th century, when the great U.S. monopolies of the extractive industries dominated the world capitalist economy, indirect foreign investment, expressed as an agromining establishment, turned our country into a producer of raw materials, shaping Peru on the international economy as a seller of copper, petroleum, cotton, and sugar and as a buyer of finished products manufactured abroad.

Then in the 1950's, when we made an effort to develop our industrial potential, the great corporations established their affiliate companies in the country and we started importing capital goods, technology, and components. At that moment Peru began its dependent industrialization process. Finally, during the last decade, the excessive cash flow throughout the world, funneled through the great foreign corporations, led Peru to contract a debt under apparently advantageous conditions. Then, at a time when our crisis as a debtor country intensified, a neoliberal economic policy was applied, paralyzing our fragile industrialization process and encouraging financial speculation.

In all, the three great changes which international capitalism, with its domineering corporations in their extractive, financial, and industrial aspects underwent, set the three types of dependent development in our country for this century. They are agro-mining speculation, industrial speculation, and urban-financial speculation. These types of dependent development have four common points. First, they are based on the denationalization of our productive infrastructure and on our economic policy decisions. Foreign monopolies thus took over our mines, our oil, and a great part of our sugar and cotton plantations at the beginning of this century. In the 1950's foreign monopolies controlled the extractive, consumer, and basic industries. Nowadays, the international financial corporations are trying to rule our economic policy and control the general management of our productive infrastructure. Secondly, these dependent types of development led to our national effort to produce what was required by the international market. Thirdly, these types of development were based on an extremely social, economic, and physical centralization of property, technology, services, and of income to the exclusive benefit of small power groups settled in Lima and in the main coastal cities.

In different ways, our domestic underdevelopment remained the predominant characteristic throughout the oligarchic and rural phase of our economy controlled by the landowners, the urban and tertiary phase of our economy controlled by foreign and national industrial shareholders, and the financial speculative phase of our economy controlled by the international banks from abroad.

In the fourth place, the dependent development types prevented the formation of an homogeneous market and the integration of the various consumer goods of our national productive infrastructure.

In whichever phase of our dependent development we refer to, we can find a disconnected market, space restrictions on economic development, and a breaking up of the production infrastructure. In all, the four characteristics of our dependent development types are the denationalization of our productive infrastructure; a production ruled from abroad; the centralization of property, technology, and income; and the disconnected markets, flows, and branches of economy.

The current crisis of the Peruvian society and our economic financial dependency cannot be understood if we do not explain the failure of our dependent industrialization process. The industrialization process of our country was mainly based on the exploitation of the country by the city, and of agriculture by industry. In other countries, agrarian development and attaining self-sufficiency and good supply preceded industrialization, but in Peru the handling of the prices, of importations, and of credits has curtailed the production of food and agriculture.

Paradoxically, our foreign debt, which is in excess of $14 billion, has led to the definitive crisis of this society and this state. When the international banks and the IMF turned the Peruvian Government into an executive tool of their own design, they took away from the centralist bloc the control of the state.

This is the case for the loss of industries in the country, the impoverishment of the middle classes, the decline in salaries, the unemployment within the unionized working class, the crisis of the modern industrialized urban sector, the final bankruptcy of the foreign dependency and the domestic domination in Peru.

Therefore, by making the Peruvian state dependent on the international banks, the foreign debt has subdued the whole Peruvian society to the foreign will. Precisely for this reason, our revolution necessarily has a nationalistic, democratic, and popular characteristic. To nationalize does not mean that the state will take control of everything; on the contrary, when we want to nationalize the state, we want to make it truly representative of the interests of the Peruvian society, mainly of its popular majority. Only by nationalizing the state will we be able to recover our sovereignty and independence to negotiate on an equal basis and according to our own interests with the international banks and the world powers. To nationalize the state means to turn it into the servant and not into the master of the people.

To achieve this, we must put an end to the economic privileges and to the extensive bureaucracy and its great state companies. We need to decentralize these aspects and make the state company budgets, investments, administration, personnel, and their services serve the poor and the forgotten Peruvians. We need to go to the interior and construct our state in our rural valleys and basins and establish it in the places and regions where our fellow countrymen are dying daily.

However, to nationalize also means to consume Peruvian foodstuffs and to produce our own food, to learn to live on what our agriculture and industry produce, to complement our agriculture and industry with our fisheries and mining, and to develop our own machinery and technology and the goods required by our own productive infrastructure. To nationalize means to extend and unify our domestic market because otherwise we will not be able to industrialize the country and make our agriculture and industry improve.

In a deeper sense, to nationalize means to recognize in the poorest and most forgotten Peruvians their condition of fellowmen, of citizens, and of men just like us. The Peruvians are not only those who live in Lima, own properties, and have a job. The Uchuraccay and Vinchos peasants are also Peruvians, as well as those from (Uramas), and Huallapa. Those Andean villagers for whom Lima and the state have been their enemy and not their brother are also Peruvians.

They all view Lima and the state as their exploiters rather than as their protectors; as a source of daily cruelty and punishment rather than as a source of solidarity and fraternity. Itinerant peddlers, the mothers who organize soup kitchens, the thousands of children who work and sleep on the streets, and the abandoned senior citizens are also Peruvian citizens.

We must understand that nationalism cannot exist where there is no love and fraternity or cooperation with our poor fellow countrymen. [applause] Thus, nationalism is a moral sentiment, not a political slogan, a need for justice rather than a gain for the state; it is a principle based on solidarity and an egalitarian social behavior rather than on possessions or territorial sovereignty. Nationalism also entails democracy because democracy means equality. It means equal rights for jobs, food, education, clothes, housing, and transportation. It also means the right to receive information, to express one's opinion, to organize, and to make decisions. [applause]

If this is not democracy, what is? Democracy can no longer be the exclusive right of those having control over the state, parties, congress, newspapers, television, radio stations, or enterprises: that is a democracy run by minorities. Nationalism can be effective only if it is democratic. Democracy can only exist with the people's participation. We cannot democratize the country if we fail to recognize those organizations created by the people through their effort and struggle, if the state fails to give the people channels for their free participation, if it fails to promote the people's free participation in national decisions, or if it fails to encourage the people to freely and responsibly contribute to national development and to implement government policies.

We have to begin by recognizing the oldest popular organizations: peasant communities, and the majority groups that formed in shantytowns in our cities, neighborhood organizations, and organizations of itinerant peddlers. On these bases we must build a new national, democratic, and popular state. A revolutionary state is, therefore, one that takes into account the interests of the have-nots, the self-employed, and the destitute, and reconciles them with those of workers of modern sectors, of the middle class, and of the business sector. This is an idea that was deeply cherished by Victor Raul Haya de la Torre. [applause]

Only in this way will our revolution repair the immense historical harm that has been done most Peruvians since colonial times. Only in this way will ours be a nation of just, free, and equal men and only in this way shall we be worthy of the struggle, the sacrifice and the blood shed by those who died for us, dreaming of a fraternal and respected fatherland.

However, we must point out that no process of change can be developed without a realistic assessment of the restrictions resulting from the national and international crisis. In this regard we call upon all Peruvians for a full realization of the limitations that hamper them, for understanding and responsible attitudes when submitting their just claims, and for cooperation committed to the quest for gradual solutions to the nation's great problems.

First of all, it seems obvious that the worldwide economic recession may well reduce even further the foreign demand for our traditional export products. Meanwhile, technological progress and the production of adequate substitutes threatens in the medium term our copper, sugar, and oil exports and may soon lead to a further decline of the international prices of these products. At the same time, protectionist policies implemented by the central powers will severely restrict the markets for our nontraditional products which will have to compete with those of countries that have launched their process of industrialization long before us.

Concurrently the transfer of foreign inflation into our economy through the increase of the prices of components, technology, and capital goods that our industry needs and the high interest rates on foreign loans could make our terms of trade with the developed world even more unequal and unfavorable. Meanwhile, the severe restriction of international credits, both private and public, and the decline of direct foreign investments which are currently being funnelled into other parts of the world will continue reducing funds for development.

Thus, the combination of these factors tells us that our development will be mainly based on a domestic effort. Without neglecting the need to stimulate and diversify our exports it has become imperative to redirect internal development, finance it through domestic savings and make a rational, socially-oriented, and planned use of the scarce foreign currency available. This situation calls for a daring integration policy directed at both the subregion and Latin America as a whole and for the development of horizontal trade and cooperation with the other countries of the region and of the Third World.

Another severe restriction we must cope with is the bureaucratization and unproductivity of the state apparatus. It is not only a matter of its centralism, but also of the extraordinary disorder prevailing through public finances, of the inefficiency of its administrative structure, of the economic and financial failure of its business activities, of the shortage of technical staff and of its bureaucratic sluggishness. Public finances are marked by a chaotic mismanagement of the tax policy, a regressive tax structure, a reduced number of taxpayers, tax evasion, the irrational policy of tax exemptions, the lack of any type of priority scale for investments and public expenditures, and the irrationality prevailing throughout the process of drawing up, approving, and implementing the fiscal budget.

The inefficiency of the administrative framework can be seen in the lack of coordination of agricultural activities, the bureaucratic centralism with regard to decision-making, the overlapping of tasks, and the sluggishness of administrative procedures.

Along the same lines, the lack of a clear-cut state business policy has led to instability in the executive boards of state corporation and their management levels. As a result of the ideas that were submitted by the previous government, the state has shown a marked ability to concentrate the bureaucracy and perform in a mediocre manner. The exclusion of its top-ranking technicians and professionals goes hand-in-hand with the saturation of the government with administrative personnel taken on exclusively to pay political favors.

Without a doubt, the administrative crisis of the state will for some time limit the executive capability of the new government, including the efficient implementation of its new development program. In order to face this situation it will be necessary to implement a series of policies aimed at carrying out reforms and decentralizing the state.

Another serious restriction we must face is rooted in the collapse and recession in the productive structure. Although at the beginning of our address, we described the causes of this situation and its current characteristics, at this time we would like to recall the effects that this crisis generates when there are so many urgent needs that have to be resolved.

In effect, the large deficits in the food, health, and labor sectors of our country provoke intensive social demands that cannot be resolved in 1 day by a private and public agricultural and industrial productive apparatus that has virtually collapsed. The demographic pressure and the very large annual output of manpower makes this situation even more dramatic. The breakup and inefficiency of the productive apparatus, the scarce resources for investment, and the small budgetary resources that we have inherited from the previous government prevent us from realistically expecting very quick and massive changes in the everyday life of the population.

In addition, the major indications and incentives that we can now present to the economic agents [not further identified] will undoubtedly run into the resistance and inertia of a production structure that needs to be rebuilt after a 10-year period of very severe deterioration. This must be clearly understood by everyone, but especially by the most solvent sectors, which will have to favor the economic recovery of those sectors that have been neglected. For its part, the state will make every effort to restructure our economy, plan its development, and outline production guidelines with the business and labor sectors to implement growth factors which will satisfy the essential needs of the population.

The ever-increasing crime rate, drug trafficking, corruption, and petty crimes in most of the country's sectors are undoubtedly a burden for the process of change that we have already begun. To face up to these social ills is not only a moral task to which all of us must commit ourselves, it is also an economic and political obligation. If we fail to do so, it will be impossible to guarantee the strengthening of democracy and economic development.

Ten long years of crisis have generated an atmosphere of national discouragement regarding the individual and collective future. At the same time, the fragile links of solidarity and cooperation among Peruvians have been broken. As a consequence of this, we have seen important social groups develop behavior guidelines based on exaggerated egoism, as people amorally take advantage of opportunities, lack consideration and respect for the rights and interests of others, unscrupulously use ways and means that are there for the taking, and insatiably seek the symbols of wealth and power to maintain or increase privileges in the midst of the overall misery of the majority of the population.

This situation, which offends public morality, humiliates national feeling and dignity, and breaks the most basic rules of public relations, must come to an end. It must come to an end because no social change is possible without a change of conscience and public morality.

In this regard, with the examples of austerity of public officials and the high morals of their behavior, but keeping in mind that those who violate the law will be punished, the government has decided, along with the people, to develop a new collective morality making solidarity with the poor its basic value. [applause]

The measures adopted to fight drug trafficking; to eradicate corruption from the central administration, the public enterprises, and the auxiliary forces; and to enforce greater penalties for public servants who violate the law are the initial expressions of our willingness to moralize the country.

Authoritarian cultural traditions, poor development of democratic values, lack of national institutions representing the peasant and the neglected population, as well as the weak political participation and lack of cooperation in these sectors, are serious obstacles that cannot be disregarded. These tend to inhibit their democratic political initiative and mobilization. The lack of a shared national plan has worsened this situation.

Through a new political style of direct contact with the people, by calling on all Peruvians for change, by constantly informing about and explaining the country's problems, by opening multiple channels of collective participation and construction in a national development project, the government will confront this restriction convinced that it will find a broad and receptive answer from the people. Allow me to present the objectives, strategy, and sectorial policies of the government:

"1. To overcome the shaky standards of living of the masses by struggling against hunger and malnutrition and in general by trying to supply the basic needs of the population at levels compatible with human dignity.

"2. To change the productive infrastructure in order to reconcile social demands and domestic supply of essential goods and services and to progressively guarantee access to productive employment.

"3. To change the neglected and backward status of rural and marginally urban areas by supplying these areas with the resources necessary to curb economic concentration in modern centers of the country and by giving priority to the development of farmlands and shantytowns.

"4. To change the state into an efficient, decidedly democratic, and anti-imperialist agent capable of planning and furthering national development, by decentralizing its activities so as to endow local and regional government with the capacity and decision-making power at every level of political-administrative activity, but without foresaking the concept of a unitary republic and the principle of democratic authority.

"5. To consolidate democracy on the basis of political and ideological pluralism, diversity of types of business organizations, respect for the rights of the citizens, and the quest for social agreement and economic participation.

"6. To reaffirm sovereignty and national defense and develop an independent and nationalistic foreign policy based on nonalignment, solidarity with the Third World, Latin American cooperation and integration, and rejection of the unfair international economic order currently in effect.

"7. To morally cleanse the nation by implementing a new ethical approach to the exercise of public and private affairs based on honesty and national solidarity.

"8. To reaffirm national identity and its own cultural expressions, thus fulfilling the historical process of integration of our ethnic pluralism and its various spiritual values.

"9. To reestablish the principle of democratic authority by making justice prevail and by fully respecting the Constitution, the laws and regulations of the state.

"10. To reinstate personal security and public tranquillity on the basis of a democratic revolution and the eradication of political violence."

The proposed objectives, aimed at carrying out the revolutionary changes to which all Peruvians are committed, demand the design of a strategy by keeping in mind the tendencies of the historic and social process we have already mentioned, and the unfortunate inheritance of a neoliberal model over the last 10 years. As President Alan Garcia said, the challenge we have ahead of us is dramatic and difficult but it is also a magnificent and important task that all Peruvians must fulfill. [applause]

Based on these considerations I would like to announce to the Congress and the Peruvian people that the government has designed two simultaneous fronts of action with different deadlines. On one front we are implementing an emergency program to face immediate problems. On the other front we are implementing policies that will guide the government's 5-year administration. This is why on 1 August, only 4 days after President Alan Garcia was inaugurated, using the powers granted by the Constitution, I addressed the nation to announce the implementation of an emergency program to face the critical situation required by the nation.

The failures of the neoliberal and IMF policies have shown us the need to try a different oath by implementing a drastic and unorthodox treatment for recessive inflation just as we repeatedly proposed from the opposition in the past.

Messrs representatives: Having discussed up to this point the basic guidelines of our government plan, I would like to discuss the emergency plan which, on the one hand seeks to reduce drastically the inflationary process, and on the other hand seeks to begin the reactivation and functioning of all the country's productive potentials. This plan reflects our well-known decision to call upon all Peruvians to work.

Now I would like to explain the main characteristics of the emergency plan. You all know that we have inherited a country marching rapidly toward hyperinflation. Only a month ago, in July, the annual rate was estimated at more than 250 percent. This inflationary pace is incompatible with any serious effort for a selective reactivation of the economy. Estimates for the second half of the year predicted an additional drop in the purchasing power of real salaries and a continuing paralysis of the productive apparatus.

In view of this, we had to immediately enforce radical measures to counter the malignant combination of recession and inflation that had battered our country for almost 10 years. Our experience has taught us that traditional formulas would fail. In fact, it would have been useless to insist on reducing real liquidity, because over the last few years, each time real liquidity was reduced, recession and inflation became much worse. Likewise, it also would have been useless to put further constraints on the people's purchasing power, because in the last decade, a salary drop of more than 50 percent, in real terms, only served to fuel inflation and recession. It is clear that our crisis was not caused by an excessive demand. Quite the contrary. Our crisis was rooted in the sustained and harmful process of growing costs and decreasing productivity that our productive sector had undergone as a result of recession.

We therefore decided to enact the emergency measures of which the country is already aware. These measures are aimed at halting price hikes through the immediate stabilization of the three basic variables of the economy. First, we froze the exchange rate on the single exchange market after applying a moderate readjustment in line with the situation we inherited. Second, we imposed a drastic reduction on the cost of credits for the productive sector. The annual interest rate fell from 280 to 110 percent. Third, nominal salaries were raised by an average 18 percent. Our objective is for the reduction of financial expenses to compensate for increases caused by imported inputs and salary readjustments. This is aimed at stabilizing production and commercialization costs.

These measures have been based on the three following criteria. First, the fight against inflation must be based on a cost freeze. If companies do not resort to speculation to increase their profits, and if costs remain unchanged, prices should be at the same level they were before 28 July. Price control serves to prevent speculation; it is part of a common effort. However, I will reiterate that our basic objective is to halt the permanent cost increase in order to halt the price increase. Therefore, this is not a mere price freeze. It would be so if the measure were implemented disregarding price costs. But our efforts are directly aimed at the essential factor, namely, the stabilization of costs.

Second, all the measures are markedly antirecessionary. This is the reason for the considerable attention paid to improving the purchasing power of the majority of the population. One of the basic ideas of the program is that the stabilization of costs, prices, and utilities had to be accomplished in such a way that real salaries would not be negatively affected. This was done not only out of fairness but also because one of the best and swiftest antirecessionary measures is to defend the real income of the workers. The future success of the program is based precisely on the gradual but marked growth of the purchasing power of all Peruvians. Without this growth of purchasing power, the necessary prerequisite for the increase of private and public sales, no reactivation is possible.

Third, from the very first, the program was aimed at improving the situation of the poorest sectors, which is why minimum wages rose by 50 percent and public utilities and the prices of fuels were increased according to a scale favoring the poor.

The anti-inflationary and antirecessionary effort has also been employed in handling the public budget. We have introduced the nonrecessionary austerity principle to reduce the fiscal deficit. Public utility prices have been increased in order to rapidly improve fiscal revenues. Bureaucratic expenditures in public enterprises have been reduced and payment for foreign debt services has been limited. Simultaneously, mass employment programs will be implemented, seeking to channel some of the resources to the people afflicted by unemployment and underemployment. Short-term maturity investment programs will be implemented in the countryside, especially in the mountain areas.

The stabilization of costs and prices, the nonrecessionary austerity principle in matters of fiscal revenues, and the transfer of resources to the poorest sectors of the country are the major basic elements of our strategic plan. But the success or failure of this program depends essentially on the courage and decisiveness with which the Peruvian people confront the current crisis.

The first results are rather encouraging. All sectors of the country, without exception, I would say, have responded to the call by President Alan Garcia. They have responsibly engaged in the struggle to overcome the crisis. Inflation has been reduced drastically over the past 2 weeks. From an approximate rate of 5 percent during the first week of August, it has been reduced to almost zero for the last 2 weeks of August.

The beginning of the dedollarization process has been detected in the past few days. From 31 July to 21 August, the Central Bank's obligations in foreign currency have decreased by $184 million. At the same time, savings in Peruvian currency have increased, both in cash and in savings accounts. We must stress the growth in savings deposits, which have increased during the same period by 327 billion soles in commercial banks. The Central Bank has also increased its reserves in foreign currency from $849 million on 31 July to $974 million on 23 August. The other encouraging aspect is the recovery process experienced on the stock market. In general we can say that we are witnessing a recovery of confidence by economic agents in the productive sectors and in the national currency.

In view of all this, I want to reassert that the emergency plan will continue, demanding the effort and discipline of all Peruvians during the next few months. Recessionary inflation is facing a head-on battle. There are good prospects, but a real, stable victory will be achieved only when we begin the reactivation process. More production, lower fixed costs per unit, and production growth are the main authentic guidelines with which to defeat the recessionary inflation.

Therefore, in this program, no distinction is made between stabilization and reactivation. It must be understood by all that we do not intend to curb inflation first and then to seek reactivation. From the very beginning, we have implemented measures seeking the achievement of these two aspects simultaneously. In a joint and simultaneous manner, we are going to defeat recessionary inflation, fighting it with skill, effectiveness, and with the cooperation of all Peruvians. [applause]

The end of the price freeze is closely related to the process of reactivation of the economy. A sound economy or a profitable productive apparatus, with plants operating at normal levels and lower fixed costs with good prospects for marketing their products, do not require the price control and the discipline imposed today by the recessionary inflation we have inherited.

Therefore, our main objectives in the next few months will be to reactivate our domestic market and to promote nontraditional exports. These objectives should be undertaken as a major task, as a great challenge, and certainly as the only effective way to overcome the restrictions imposed on us by the current emergency program. No one enjoys excessive controls, but we must understand that their gradual elimination will require a joint effort by businessmen, peasants, workers, and the government itself to promote a sound, steady reactivation of the economy.

The government has already adopted some measures in this direction: a buffer fund for agricultural prices, special interest rates, and other measures designed to benefit the agricultural sector, which were implemented last week, will have a positive impact on income and demand in rural areas.

I want to announce now that a policy will be implemented to help the unemployed and underemployed in urban areas. In fact, beginning in September we will start to develop programs designed to provide resources to the poorest people by hiring them for temporary jobs in projects designed to improve their own communities. [applause] Unlike similar programs that have been applied in other countries, our programs will be exclusively implemented in shantytowns in order to benefit both the residents and the communities because our programs will provide jobs and help improve living conditions.

Taking into account the poverty level and their large shantytown population, we have selected five major target areas -- Lima, Chimbote, Piura, Trujillo, and Chiclayo -- as the cities where the first group of unemployed will be hired.

In the next 4 months, we will hire more than 25,000 workers in environmental programs, water supply and drainage systems, cleaning and garbage pickup services, leveling and embankment of dirt roads, repair of irrigation systems, and reforestation projects. Primary responsibility for implementing these programs will rest with the National People's Cooperation System [Sistema Nacional de Cooperation Popular], an organization which in the next few days will coordinate actions with municipalities and with the implementing social organizations.

A second effort to promote reactivation is the implementation of the Rural Development Program [Plan Tierra]. A comprehensive program has been designed to help communities, groups of peasants, and individual farmers in the departments of Huancavelica, Ayacucho, Apurima, and Puno, and in the provinces of Cuzco and Arequipa. Nearly 30 billion soles will be invested in the next 4 months in social, educational, health, agrobusiness, handicrafts, energy, and other projects.

We are certain that a gradual recovery of the workers' real salaries and of the people's consumption, a higher income for the peasants through measures designed to stimulate agricultural activities, an effective implementation of the mass employment program and of the Rural Development Program, and the strict protection of Peruvian industries will be instrumental in effecting a process of economic reactivation. We are trying to make the people, economic sectors, and government officials themselves understand that this is not a traditional program to fight the crisis. In the past, following IMF instructions, the government tried unsuccessfully to implement the idea that inflation can be curbed by stopping the issuance of currency. Our program proposes an entirely different approach: We want to stop cost and price increases by attacking the ultimate causes of inflation first in order to effectively reduce the issuance of currency later. In other words, we seek to focus our action on true economic problems and needs, to reorganize the productive sector, to improve markets and profits, and finally to stabilize the economy from the monetary standpoint.

There will be no production if there is no market or profitability. This is why we have controlled and will continue to control prices, and it has a double purpose: first, to allow room for profitable prices to encourage producers to make long-term plans for reactivation and growth; and second, this price control should not reduce the purchasing power of the people.

Our viewpoint and ground rules are clear: We are sponsoring marginal profits and rates of return that will reasonably promote the productive capital. We are also sponsoring a real salary increase policy to ensure a gradual and constant increase of the domestic mass market. The government will do all it can to allow those businesses that satisfy the most important demands of the majority of the people to earn more profits.

These rules must be understood and adopted by all the economic agents; the private and public companies; by managers and experts; and by public employees and bankers, because they must all understand that following these rules is very important to the government. To respect these rules is very important because it is an essential condition for us to be able to comply with what we promised our people: We promised to satisfy their demands with Peruvian goods.

Let me reiterate these ground rules. The first rule is that production but not financial speculation will be profitable. The second rule is that we will be selective in the reactivation and in the profitability aspect. This means that we will promote establishing profitable prices and markets as well as acceptable return rates for those productive investments that are dedicated to the activities that attend to the needs of food, dress, shoes, housing, transportation, entertainment, and culture for the Peruvian majority who are currently set apart from the modern world.

By sponsoring profitable prices and credits and by offering government support, we intend to reactivate the rural and urban production of the country. However, the concept of selectiveness must be understood, and the first selectiveness criterion will be to meet the Peruvian majority's demands for massive consumption. We know we need food, but we also need copybooks, books, houses, construction material, clothing, medicine, shoes, cheap and healthy drinks, popular theater, furniture, and electric appliances.

The third rule is that marginal profits should not be so high as to endanger real salary increases or the people's consumption capability. In this aspect, the state will control and even intervene the commodity and labor markets as often as necessary to guarantee the respect for this rule.

Our underdevelopment or the stagnation of our national industry could be explained by the low salaries and the small and elite market we have had in the past. The economic agents must understand that this government will give a different answer from those given in the past. They must understand and adopt these new and clear rules. If they help in the effort to change and develop our country, they will play an important role in building the different Peru to which President Alan Garcia has referred. [applause]

The fourth rule is to promote any activity that will produce foreign currency. This will take place in two totally complementary fields: We will save on foreign currency first, by producing goods to replace those that are being imported, mainly for agriculture and industry; and second, by promoting nontraditional exports. In the recent past the two fields were looked upon as mutually exclusive options but as far as this government is concerned they will play equal roles as the core of the effort for the attainment of a balanced foreign sector.

The fifth ground rule is to put the cash flow to some productive use. Our monetary program will adjust to the reasonable requirements stemming from the growth of production, but everyone must understand that we will not be naive. The productive infrastructure will be guaranteed by the necessary cash flow, but at the same time careful control will be implemented to make sure that the money is indeed being used productively. The various economic agents must realize once and for all that the phase of naive and dogmatic monetarism is over in this country, just as they must realize that this phase will not be replaced by an equally naive liberal monetary policy. There will be monetary discipline which will be placed at the service of true requirements of production and consumption.

The sixth ground rule is that domestic savings will be stimulated. Positive interest rates will be maintained so as to reward savings in national currency, and new financial instruments and savings mechanisms will be implemented very soon.

The seventh rule is to put the scarce foreign currency available in the country to productive use. This means that the government will take it upon itself to exercise social control over the manner in which this foreign currency is used. The economic agents in general and in industry in particular are especially requested to understand that this state control is the only means available for ensuring that all the objectives of reactivation and growth will be attained.

Foreign currency is very scarce and this scarcity will continue to plague us in the coming years. Thus, it is obvious that it will be impossible to get production going, reactivate the economy, and grow without simultaneously guaranteeing that foreign currency will be pumped into the productive areas of the highest priority. Any squandering of this resource will jeopardize the entire plan to reactivate the economy.

The eighth ground rule that we must now explain has to do with austerity in and productivity of public expenditures. The financial experts and those who manage public expenditures must realize that this administration aims to put an end to huge projects of long-term maturity and frequently dubious productivity. As a rule this kind of project has consumed too much of our most essential resources: capital and foreign currency. They have not made use of the Peruvian engineering experts nor have they tapped the potential of the national industry.

Public expenditures will also follow several clear-cut guidelines: first, heavy use of raw materials and manpower; second, a high degree of utilization of national industrial products. The small powerplants which in the past used to be manufactured in the country will again be manufactured here; third, short-term maturity. In view of the scarcity of fiscal resources, a scarcity which is likely to continue in view of our growing needs, priority must be given to projects and programs of short-term maturity.

I wanted to outline these eight ground rules because we are convinced that if they are understood and followed by all the parties involved in the medium and short term, it will be possible to guarantee a sustained recovery and a general reorganization of the economy.

However, I want to assure the entire country that backed by the authority stemming from our popular mandate and the burning needs of our nation, we will not spare efforts to guarantee the stability of the new rules of the game and will make sure that all Peruvians respect them. We will do so because we are convinced that compliance with these rules and the fulfillment of the objectives that have been established is not the task of this administration or my party alone, but of Peru as a whole.

Therefore, a new stage is opened. A stage of productive efforts, reorientation and reactivation of resources and business capabilities. The sooner we develop this stage, the sooner we set into motion our productive forces, the sooner we increase demand, production, and productivity, and the sooner we will leave behind the emergency period. This is not my governmental responsibility alone. The duration, success, and emergence from the current stage of emergency is a responsibility shared by all the economic agents.

Having concluded the description of the global political outline and a summary of the emergency program, I will now describe to you, Messrs representatives, the principal policies and sectorial measures established in our government program.

Throughout the entire electoral campaign and within the framework of national debate, President Alan Garcia has repeatedly stated that the basic effort of the state and the government will be to integrally reactivate the agrarian sector, orienting it toward the production of staples, which is a priority, since our country depends on and imports staples.

At this time, the dependency on staples reaches gigantic dimensions both in volume and in values. Of the approximately 10 million metric tons of staples that we Peruvians consume every year, more than 1.5 million metric tons are being imported. Nearly 40 percent of our consumption of calories and protein are being imported. The amount involved totals $400 million. During the 5-year period 1980-1985, Peru spent $2,576,000,000 to import staples and it managed to export agricultural and livestock products barely worth $1,008,000,000. Thus, there is a negative trend in the Peruvian economy concerning agricultural, livestock, and fish exports. Along with this trend, there is a stationary and depressive trend for their prices.

Such a dependency is the result of history. In this regard, every one of the decisions made by past governments concerning public investments in the agrarian sector concentrated in the coastal areas, completely neglecting the sierras.

The [name indistinct] irrigation projects alone have used up nearly 45 percent of the entire public investment in that sector. The use of high-cost waterways for the coastal crops was also encouraged.

Mention must also be made of the fact that the public servants in the agrarian sector have concentrated in the city of Lima and in the main cities in the provinces and that, moreover, the technical personnel are just a minority. The public servants working in the agrarian sector total 25,270 workers of which 7,890 are in Lima. Most of the others, that is, 17,380 workers, reside in the main coastal cities. Therefore, true rural work is nonexistent. It is necessary to radically revert that trend.

Priorities in the agrarian sector will be concentrated on the achievement of the following objectives:

To increase the agrarian production and productivity, increasing staples to reduce foreign dependency;

To promote an increase in the profitability of the units of agrarian production through the establishment of mechanisms for setting the prices for inputs and products;

To grant final deeds on the land and on the assets fixed on the land, respecting the associate organizations given priority in the national Constitution, in order to strengthen the process of agrarian reform;

To financially, technically, and economically support the producer to achieve his strengthening as the leader of the agrarian production, thus making possible the participation of the producers in the technical, financial, and economic aid agencies that are involved in the agrarian sector. Consistent with this policy, the government has appointed the FUNA [expansion unknown] president and president of the National Agrarian Confederation as a member of the executive board of the Agrarian Bank; the secretary general of the campesino federation as a member of the ENCI [National Enterprise for Industrial Marketing]; three rice producers as members of (?ECASA); a SAIS [Social Interest Agricultural Association] representative as a member of (?Encopeta); and a wholesaler and a potato producer as members of the EECA [State Food Marketing Enterprise];

To develop the productive potential of the rural Andean areas. This is also an essential and basic objective for the new government;

To give impetus to the economies of the campesino, community, and family businesses. This will be another essential objective in the reactivation of the agrarian sector;

To provide, at regional and subregional levels, the agrarian structure with overall development projects that may seek either agricultural or nonagricultural activities. This is an essential and fundamental aspect in the sector I am referring to now.

Regarding our basic national food program, we have decided to develop the following activities:

To develop joint actions in the fields of production, commerce, industrial development, and consumption assessment, seeking to protect society against the risks of shortages, obtaining a gradual autonomy in our food program with satisfactory nutrition levels;

To promote the consumption of national food products, changing progressively the consumption habits by supplying attractive regional food products;

To develop an agroindustrial nutrition model promoting national agrarian production, implementing food-producing programs in rural and urban areas with extremely poor inhabitants, stressing the participation of vulnerable popular groups such as breast-feeding mothers, pregnant mothers, and children under 5 years of age.

We will stimulate participation of agrarian producers, in accordance with their democratic spirit and the government policy, promoting the active participation of representative peasant organizations in the agrarian sector and in other sectors of national economy to contribute in the decentralization and national development programs.

We will also promote the participation of representatives of producers organized in different boards, funds, and commissions, lines of products, or breeding programs. Representatives of peasant organizations will also be included in the participation program, including representatives from irrigation districts and from other organizations of the agrarian sector through the organization of zonal committees.

Representatives of organizations of the public agrarian sector will also be allowed to participate at all national, regional, or local levels through regional coordination councils and at the national council for agrarian coordination. We will also support the various agrarian organizations in preparing sectorial and zonal policies, in harmonizing production with prices, in marketing services, and in seeking credit support.

Regarding the marketing of agricultural foodstuff, an integral system of marketing agricultural and livestock products will be established to coordinate and channel the current dispersed actions of the public sector in marketing matters.

We intend to improve and expand the operational capacity of wholesalers and retailers. To achieve this we need the coordination of consumers of services with their respective municipalities. We will intensify the activities of the public agrarian sector to find out the demands of the consumption centers, the flow of domestic or foreign supplies, and the reserves that will guarantee a continuous supply to the Peruvian people. We will organize the supply of staples, intensifying the state's direct participation in supplying them to those underprivileged sectors and to border areas.

The other aspect which has deserved our continuous attention is the establishment of an equitable price policy that will meet the interests both of consumers and of producers, thus promoting increased production with a reasonable level of profit, and at the same time guaranteeing an adequate price level for consumers.

Finally, we will promote the active participation of commercial and development banks, as well as of financial institutions, in the rural development plans through the agricultural credit programs with preferential interest rates, promoting the participation of rural workers in generating their own resources, and supporting the creation of rural credit unions, rural funds, and credit and savings cooperatives.

It should be pointed out that agricultural science professionals and technicians must engage in the promotion and implementation of activities in the agricultural, livestock, and industrial sectors, and that they must provide technical and financial advice to producers' organizations. [applause]

Our food production system is based on the fishing and agricultural sectors. Consequently, they deserve the highest priority within our government program. This policy involves a substantive change compared to previous policies, because the fishing sector's current emphasis on the promotion of exports will be redirected to meet, as a priority target, domestic consumption needs. Particular attention will be given to the catching, commercialization, and processing of river and sea resources in order to properly feed the people.

This will be a hard task, because of the sector's deplorable condition and because of imbalances within this structure. This situation has developed from improvised action and lack of planning in the private sector initiatives, and from the low priority given to the fishing sector.

The irrational use of our massive resources as a source of wealth for other nations will be halted. Even though part of our production will be exported, because it is a major source of hard currency and because some species are now used only to produce fish meal, we will emphasize our efforts to turn this sector into the main source of protein and food for the Peruvian people. [applause]

Therefore, we will use our fishing resources following a carefully designed program. We will prevent depredation and will maintain the biomass at appropriate levels in order to guarantee the permanent and increasing availability of fishing resources, particularly those species used for human consumption. The catching of species for the production of fish meal will be undertaken as a supplementary activity. Priority treatment will be given to the provision of food for the poorer sectors. Consequently, the massive catching, storage, processing, and commercialization of sardine, mackerel, scad, hake, and other similar species will be carefully planned.

To achieve this objective, special incentives will be granted to those projects seeking to promote the creation of a national high seas fishing fleet.

The projects that foresee the construction and thorough utilization of port, storage, and freezing facilities, the creation of appropriate transportation and distribution networks, and the erection of new fish unloading facilities and fish marketplaces will be also granted special incentives.

Our traditional fishing fleet will be gradually modernized. It will be used mainly to catch species for direct human consumption in the lower and middle classes. We will thus supplement our high seas fleet, create new jobs, and promote decentralization.

This process will have to be coupled with a process of organization, training, and acquisition of technology by the fishermen using traditional methods, so that their productivity and their living standards may reach higher levels. At the same time, it will be necessary to continue with the program of construction of small infrastructure facilities and provision of services in the small bays of our coast. We will have to carefully review our priority objectives and reduce our investment to the minimum necessary to provide appropriate services to the traditional fishermen. This will have to be supplemented by financial and technical support programs, so that our investments in this area may yield positive results.

We will establish training and mass media programs so the people can learn about the different appropriate methods for the consumption of fish. This will be done to allow the per capita consumption rate, especially in the cities in the interior of the country, to be substantially increased.

We will assign the state a key role in price controls through marketing regulations and the operation of the state-owned enterprise EPSEP [Public Enterprise for Fishing Services]. EPSEP will basically operate in the low-income neighborhoods and urban development projects and in the interior of the country, thus clearly defining its scope vis-a-vis the private sector.

A basic effort will be made to gradually but firmly rationalize the canning industry, promoting and facilitating the operation of those enterprises that achieve greater productivity in the utilization of the resources and that possess unloading facilities, programs to diversify production, and real possibilities to operate together with enterprises that have supplementary lines of production and contribute to the supply of staples for the domestic market and effectively contribute to the export market.

In that regard, an effort will be made to establish permanent lines for the production of low-priced canned products. An effort will be made to guarantee markets and massive purchase programs by the state as well as a decrease in the cost of industrial inputs, especially containers, to obtain competitive price levels.

Pescaperu [State Fish Meal and Fish Oil Production Agency] will be gradually reactivated, reopening some of its fish meal plants, taking into account criteria involving their productivity, profitability, and the solution of social problems, as well as criteria for the conservation and the nonpredatory exploitation of the resources.

At the same time, an effort will be made to reorient and increase Pescaperu's mechanization so that it can tackle the manufacturing of new products and a new utilization of available resources. This process will have to supplement another process involving the mechanization and readjustment of the fishing fleet involved in fishing for indirect human consumption so that gradually it can begin fishing for direct consumption.

Agencies such as the Technological Fishing Institute and the Enterprise for Fish Quality Control [Empresa de Certificaciones] will be strengthened so that they are adjusted to the national needs and true situation, developing new staples based on fish and effectively guaranteeing the quality of national production.

Finally, we will have to start attaching an ever increasing significance to two activities which thus far have not been significantly developed in the country, namely the seafood culture [maricultura] and fishing in continental waters, something which will permit us to open new production centers and more efficiently exploit our ichthyological resources.

This set of outlines, actions, and programs is not a simple enumeration of prospects but an all-embracing view of a policy that is already being implemented. An an example we have the price controls over the program of frozen fish supplies that EPSEP has already enforced, the reopening of two Pescaperu plants, and the announcement of the next reopening of the (Chicama) plant and the program of [applause] ...the program of low-priced canned products which we are coordinating with the representative organization of the private sector, a program that will be fully implemented over the next few days.

To establish the appropriate legal framework for these actions, we plan to submit to Congress a new draft law on fisheries to correct the errors and distortions caused by the various provisions dictated by the previous government and to promote an effective reactivation of this sector based on new guidelines. The draft law will include our proposal to entrust the marketing of fish meal to a single organization in which the state will have a decisive participation. [applause]

Thus we will promote stability and will provide the required incentives for instilling greater dynamics to the fisheries sector within new guidelines. We will thus also provide thousands of fisheries workers with food and better working conditions.

We have found an industrial sector which is concentrated and centralized in major urban centers, which uses large amounts of foreign currency, and which is aimed at satisfying the demand of the most privileged economic sectors.

It is therefore necessary to establish new priorities for our future industrial development. Our government will make a priority of the following industrial activities and sectors: producers of mass consumer goods, food industry, textiles, shoes, printing, basic medicines, items that will substitute for import items, export items, agrobusiness, machinery and tools industries. The government will grant special incentives to any of these sectors that meet the following guidelines: contain a high percentage of national components in the manufactured product, especially in the agricultural sector supply; make a positive contribution to establishing domestic production cycles; or promote decentralization of the industrial apparatus as a basic step in our effort for promoting a gradual nationwide decentralization.

[Words indistinct] that is being encouraged through the reactivation measures will be primarily designed to assign priority to the above industrial sectors.

In the short term, we will promote industrial reactivation through a combination of the following actions: a steady increase in real salaries, which should be spent on Peruvian industrial products; greater income and demand by peasants for semimanufactured and manufactured products; increased demands stemming from the implementation of an employment program; the required protection against indiscriminate imports through a system of import licenses, which has just been established; priority support for nontraditional exports through Export Certificates [Certex] and a comprehensive package of instruments and measures; effective and steady preference to Peruvian products in purchases by the central government and by public enterprises; greater credit facilities for working capital in certain activities at special low interest rates; the implementation of a decisive campaign to fight smuggling and evasion of customs duties.

Pursuant to the emergency economic program, actions are being taken within the Industry and Commerce Ministry based on the following guidelines:

To guarantee the success of the current price freeze policy and the anti-inflation campaign through successful actions in the business sectors and among the people;

To create the Office for the Defense of the Consumer as an important step in our efforts to fight speculation and hoarding;

To develop an effective system to promote exports of traditional products and increase our current export volumes, as another of the basic and essential aspects of this national productive activity;

To develop an overall program to seek the expansion and promotion of nontraditional exports, eliminating favoritism and the indiscriminate granting of Certex and other export incentives. We must also mention that the system of commercial offices abroad will be reassessed and made more efficient in order to achieve an easier and more effective resolution on sale opportunities abroad and an active export promotion;

To reassess the distribution of Certex, facilitating its administration and favoring those who offer more added value, as one of the concrete political measures to reactivate the industrial sector, which we are going to promote during this government;

To strengthen the international bargaining power of a set of nations, effectively using the state's purchasing power and seeking to obtain better trade conditions, as another objective we mentioned during the electoral campaign, and which we will now fulfill as a government;

To rationalize our international trade system, adjusting it to the new practice of nonconventional exchange, and designing new mechanisms to support exports through the compensated commerce system. Within this context, we will seek new export promotion

instruments that will take into account international trade rules. The currency preferably will be channeled toward imports of products that are essential for consumption and production, generating the appropriate conditions that will prevent the increase of speculative prices in the domestic market. To achieve this the following instruments will be adopted:

Control of the imports of products whose internal production must be protected, or whose consumption is unnecessary;

Continued revision of the tariff system in order to selectively protect domestic production. We will also assess the implications of tariff exemptions exclusively granted to some sectors.

Regarding tourism, in 1983, this sector contributed $252.2 million in currency, an amount higher than that achieved by significant products exported by the nation, such as coffee, fish meal, iron, gold, or sugar, thus showing great potential for future development and positive results. Therefore, we are going to revise the general law on tourism development in order to clearly establish policy in this sector and promote private investment in tourism infrastructures in the country, granting credit and financial incentives.

We will increase funding for tourism in order to carry out the specialized function of promoting tourism. We will also promote tourism in Peru abroad, and will guarantee the quality and price of the tourism product to be offered, favoring competition and diversified service.

The government also intends to encourage domestic tourism, because it not only promotes the necessary economic activity for the interior of the country, but also contributes substantially as family recreation and as an opportunity for the revaluation of our heritage and our cultural values. In this regard, we will promote the offer of internal tourism packages to which all Peruvians will have access.

Regarding integration, the Andean Pact is facing a situation of stagnation which is reflected in a reduction of trade among its members and in the delay of a number of programs provided for in the original agreement. In compliance with the recent message to Congress by the president of the Republic, we are trying to strengthen the subregional integration process.

Regarding this issue, we will actively participate, in coordination with our Foreign Ministry, in the tasks to be carried out by the Andean Council when it meets to evaluate the current situation and the measures to be adopted to overcome this crisis. In the coming months, the Cartagena Consensus amendment project to revitalize joint action will be carefully studied.

Within the framework of the next ECLA meeting to be held in Caracas next month, we are preparing ourselves, in coordination with several sectors, to present the Peruvian opinion on several subjects to be discussed on that occasion. We have, therefore, reactivated the ECLA multisectorial coordination commission, which will count on the participation of representatives from the Economy, Finance, and Foreign Relations Ministries, as well as from the National Institute of Planning.

The role of the mining sector as the driving force of the national economy has been minimized. The Energy and Mining Ministry has not complied with its task of promoting and controlling mining. State companies of this sector have been the victims of a debilitating and paralyzing policy as well as of the state's general policy of abandonment of industrial activity.

Mining production levels have grown too slowly in the last decade. The lack of long-term planning did not prepare us for the negative effects of the international price crisis, which has prompted the closure of several mines and the maintenance of a significant number of idle facilities.

The transformation of our mineral resources into refined products for industrial manufacturing has not increased to the level demanded by development, thus making the country suffer a great loss in added values. The substantial financial support requested by these companies has been insufficient and disorderly. In addition, scientific research to aid production has been practically forgotten.

The general welfare of the workers has not received the attention it deserved. The constitutional order of allowing regional participation in our wealth has not been obeyed. The workers' participation in the profits and properties of the companies has been thwarted. Aid to small companies has been insufficient, thus nearly extinguishing this mining sector.

International organizations have not been adequately used to defend the prices of our mineral products, and the marketing of our products on the international market has not been advantageous. The law governing mining policy was incomplete, incoherent, and inappropriate for the country.

In the face of the situation we have found, our government will reorganize the Energy and Mines Ministry. We will provide it with resources to effectively fulfill its role and to make mining a pillar for financing national development and energy resources a basic factor in promoting rural and industrial development. To this end, we plan to accomplish the following objectives and purposes:

To develop mining potential resources and reserves by diversifying and improving the degree of processing of our mineral products;

To promote the exploitation of minerals having a more reliable market in the medium and long term, especially multimetallic deposits;

To develop smelting and refining capacity in order to achieve the highest degree of processing and to make this technology available to medium- and small-sized mining companies;

To strengthen the current production levels of large mining companies;

To increase exploitation through moderate multimetallic, gold and other projects to significantly increase the production of medium-sized companies;

To stimulate the output of small mining enterprises of different categories and increase the number of mining concerns and enterprises so as to promote their overall development;

To encourage the national industry to use as many minerals as possible, and to export products processed to the highest extent possible, while doing its best to diversify its export markets;

To attract foreign investments and increase domestic investments of new and self-generated capital for the development of this sector;

To promote the use of national capital goods and components for the mining activity by making them competitive as far as availability, prices, and quality goes, compared to foreign materials;

To guarantee the development of the mining sector by endowing it with the required legal stability;

To make use of manpower in projects related to regional development, well-being, and security of the workers and protection of the environment;

To carry out scientific and technological research in the fields of geology, mining, and metallurgy with the participation of the state, specialized national consulting firms, and academic institutions;

To promote a steady flow of financing and strengthen the capital market of the mining sector.

In order to fulfill these objectives, we have concrete and detailed strategies in the following areas:

Promoting both private and cooperative national and foreign activities so as to increase the participation of these sectors in the development of the mining sector;

Reestablishing the state's ability to exploit known deposits and setting forth the conditions for foreign investments with a view to protecting national interests;

Establishing conditions for true and effective economic and financial backing for the small mining enterprises;

Funneling capital into exploitation and diversified production of minerals with the best marketing chances;

Establishing a system for the cooperation of national productive sectors so that better prices and marketing conditions can be obtained with the help of the Peruvian Government and other producing countries on the international market;

Setting up a reliable system of information and coordination so as to increase mining exports;

Redesigning the treatment of investments bearing in mind regional and national development;

Drawing up regulations capable of guaranteeing the participation of the workers in the mining enterprises;

Drawing up regulations capable of protecting the investments necessary to provide services that will assure the well-being of the workers and their relatives;

Drawing up a law for regional participation in the income resulting from the exploitation of natural resources, with specific reference to minerals;

Establishing the mechanisms for the participation of all institutions and producing enterprises in scientific and technological research related to mining;

Outlining the way in which investments in the mining sector can be guaranteed basically by the mineral reserves themselves;

Establishing the conditions for effective financial support for small and medium-size national mining enterprises.

With regard to oil, even though laws were issued allegedly to attract foreign investments for oil prospecting, the fact is that over the past 5 years proven reserves have not increased. These reserves have declined from the 854 million barrels recorded in 1981 to only 636 million barrels in 1984. This downward trend forecasts an uncertain future and, if nothing is done in this regard, we will become an oil-importing country during the next 5 years.

The contractor companies have taken advantage of Law 23231 to carry out exploitation activities, neglecting prospecting, which leads to the discovery of new reserves. The state-owned corporation Petroperu [State Petroleum Agency] has been managed poorly, and its objectives neglected to the point of becoming a source of wealth for privileged bureaucrats, by now known to everyone.

Despite the crisis, the new oil policy that we intend to carry out will substantially increase reserves in order to guarantee self-supply. For this we will abrogate Law 23231 and issue new laws for the oil industry that will allow some flexibility when entering into new contracts.

In the transport sector, our main objectives will be the following:

First, to develop an integrated transport system with an infrastructure and connections that will take into account the complementary nature of the various types of transportation in order to promote the physical integration of the national territory; to encourage the supply of goods and services that are essential for production activities on a timely basis; to support the incorporation of border economic areas; to contribute to the attainment of the objectives of national defense and internal security; to encourage the process of Latin American and Andean integration.

Second, to support the regionalization of the country; to encourage the use and development of local technologies employing the natural resources of each region in accordance with the country's socioeconomic needs; to support the regional organizations so that they can assume direct responsibility for construction and maintenance of roads.

The government will place priority on the democratization of the health sector so that it will serve all Peruvians, especially the most needy. This political decision is fully backed by the economic support of the central government and will be implemented in compliance with the policy of decentralization the government intends to develop. As we have said on several occasions, the administration of the health sector is centralist and bureaucratic. Forty percent of the Health Ministry's budget is used with a centralist criterion, and a high percentage of its current expenditures are taken up by salaries and pensions within Lima Department. Another problem that cannot be overlooked because of its impact on the economy of the majority of the people is the commercial monopoly on medicines and their arbitrarily established high prices. The state is determined to correct these abuses so that the people can afford essential medicines. [applause]

To confront the critical situation in the health sector, we have established the following objectives: getting the people actively involved in identifying their health problems, determining their priorities, defining solutions, making decisions regarding plans and programs, and administering health services all the way down to the follow-up and control of all health care activities; effectively decentralizing all health services, delegating authority and responsibility to local establishments; and apportioning adequate health resources for tending to the most urgent needs of the population and risk groups.

In the area of medicines, we have found it necessary to create the National Medicine Committee, which will be directly subordinated to the health minister. This committee

will review the petition that has been made in order to reduce the number of medicines in response to the country's health needs. [sentence as heard] It will draw up a list of essential medicines to serve the needs of the priority high-risk groups, and they will be obligatorily used in the health sector. We have also proposed lowering the prices of the most frequently used medicines.

The education sector also deserves the government's priority attention. In view of the deficit situation in the education sector, not disregarding the need to adopt some urgent measures, we consider it indispensable to set political objectives for the short term. It is above all necessary to ensure free education for everyone, which requires the expansion of the education system. We are determined to have the education system adapted to and centered on our own reality. Another purpose we have is to reduce the levels of illiteracy through government-sponsored programs with the participation of private, cooperative, and community sectors. Obviously, the main effort must be directed at the Sierra Andean region.

Improving the teachers' situation is also a central objective of our policy. We will do this by giving them preferential treatment that is contrary to what has been the official policy.

We will create centers for technical training where the students can become skilled workers in each educational unit.

Our policy in the labor and social promotion sector should go hand in hand with the government's policy of economic and social development. We are sure that the Labor Stability Law, the draft of which the president himself introduced in Congress, will create a climate of security that will motivate workers to give a larger contribution to productive activities. This right to job stability should not be understood as a right to be unproductive.

We also intend to develop a job creation system in cooperation with all the sectors involved so as to establish a national employment policy and mechanisms to create jobs. We find it indispensable to protect existing employment and to grant tax and financial incentives to enterprises that create new productive jobs and labor-intensive programs for unskilled workers.

We understand social security to be a guarantee for a society against unpredictable risks and contingencies, and we defend it as a universal right provided for under Article 2 of the Peruvian Constitution. These are our objectives in the social security field: respect the economic and financial autonomy of the Social Security Institute as dictated by the Constitution; expand as rapidly as possible the coverage of health insurance to rural workers and their families, as well as to the marginally urban sector; extend coverage to all children under 14 years of age; reorganize and restructure the Social Security Institute in order to decentralize, debureaucratize, and reestablish the principle of authority; increase the earnings of financial and real estate investments, safeguarding institutional assets; and improve the quality of the health and pension services through six bills that we are submitting to Congress.

The fundamental objectives in the judicial sector are to improve the administration of justice and to ensure an adequate policy of social readjustment in the prison establishments, as well as the systematization, extension, and coordination of the legal order, including a policy of family well-being.

National legislation has to be promoted, and an effective system for the juridical defense of the state's rights and interests is needed. Likewise, legislation guaranteeing the full exercise of women's rights is lacking. These rights are recognized in the nation's Constitution. In view of this situation, we have undertaken to restructure

the judicial sector so that it will be in a better position to effectively fulfill its objectives. We are implementing a vigorous policy of publishing the text of the Constitution and the nation's laws.

We are preparing the Judicial Branch Organic Law and the reform of the organ of internal control of this branch of the state, vested with authority to adopt corrective measures.

The Interior Ministry is fundamentally charged with the internal security of the Republic, but it has been mismanaged through improvisation and lack of clear-cut medium- and short-term goals. The country has witnessed ineffectiveness in dealing with subversion and crime, which has resulted in a climate of insecurity never before experienced in the country. This sector had to be reorganized immediately, and thus we introduced a bill to that effect in Congress.

I must note that to support the efforts of the police forces to face up to subversion, crime, and drug trafficking, Congress had granted them supplementary economic resources. The number of police personnel had been doubled in the last 5 years, from 46,943 in 1980 to 87,910 in 1985. This has affected appropriate training and created a situation that calls for immediate correction to improve the quality and capacity of police personnel. The quality and capacity of the training institutes must also be improved so that we can cope with the excessive increase in crimes and with the subversion that has so far perpetrated 4,553 terrorist attacks. It should be noted that despite the importance of the interior sector for national defense, the intelligence organ that was instituted by the laws of the national defense system and the organic law of the national defense sector has been minimized, while intelligence services have proliferated within the police forces. These services are operating without coordination, duplicating efforts, and even obstructing the intelligence activities required by the administration of the internal sector.

The government has established a clear policy of support for the sectors of the Army, Navy, and Air Force in accordance with the principles of national security and development. This policy is directed at the armed institutions in order to make them the mainstay of national defense in wartime and of social promotion in peacetime. According to the constitutional principles and the working plans prepared by the commanders of the Army, Navy, and Air Force, the Armed Forces have objectives that are integrated into the concept of socioeconomic development adopted by the government. In this way, the sector operates in accordance with the economic and financial capacity of the state.

Within the context of a subregional agreement on arms limitations, the operational and logistic requirements of the armed institutions will be met, maintaining the principle of deterrent power, upon which the real military might of a country rests. To this effect, we will introduce into Congress specific laws to reduce the financial and technological dependency of our Armed Forces. We will assign the Army greater participation in the implementation of the national road plan, which is coordinated by the Transport and Communications Ministry, providing sufficient funds for the execution of engineering works in remote villages.

In the case of the Navy, we will continue to support the development and technological preparation of its cadres. We will try to increase the capacity of the naval industry, considering that it will be instrumental in attaining a desirable self-sufficiency in such an important sector. Our government is also interested in attaining a higher degree of efficiency in the control of maritime traffic, so that we at all times may know which ships are sailing along our coast.

Lastly, we will keep in mind the problems related to the Antarctic Continent, reactivating our country's interest in that region through a joint project prepared by various sectors and institutions.

As for the Air Force, the government will look after its most immediate needs within the limits of our economic possibilities as was announced by the nation's president in his message to the nation on last 28 July.

In keeping with our ideology, the new government will implement a nationalistic foreign policy that will be independent of any foreign power, sympathetic with the nonaligned and Third World countries, and respectful of the principles of nonintervention and free determination of peoples.

Peru occupies a strategic position in South America. It has borders with six countries, and each border has experienced a historic process that has granted us a balanced peace in our subregion. The government will pay great attention to our strategic position and, as a consequence, will dutifully fulfill its historic responsibility.

Moreover, Peruvian foreign relations reach all countries of the world, because we are currently living in a world with new geographical horizons that bring new hope for the poor countries.

Nowadays, special attention should be paid to the socioeconomic development of the countries that border on the Pacific Ocean. It can be said that the world's growth, which used to develop in the Atlantic Ocean, is now developing in the Pacific. This is why the country and its foreign policy are faced with a new challenge -- the importance of defending Peruvian territorial waters, which our Constitution considers our maritime domain. This domain extends 200 nautical miles and, by law, is known as the Grau Sea. This sea is very important to Peru because it not only has vast renewable and nonrenewable resources but also because it is a source of work and food for the Peruvian people.

Peruvian foreign policy will provide for the country's active participation in the forums that seek a more just international economic order with the purpose of contributing with ideas that may allow the development of negotiations in this regard.

Henceforth, Peruvian foreign policy will grant priority treatment to actions in the economic, financial, and commercial fields, as well as to the foreign debt problem. Our foreign policy, in particular, will be drawn up in keeping with the objectives and strategies we have established regarding the payment of our foreign debt.

Active participation in the various international forums, as well as the implementation of common actions with other debtor countries, is fundamental. The foreign debt problem is too pressing to postpone the adoption of measures that are vital and have to do with our development.

We believe that the OAS and the Inter-American Reciprocal Assistance Treaty have gradually become obsolete and inefficient. Therefore, the foreign policy of this government should encourage the creation of a new regional organization formed exclusively by the Latin American countries and that will truly represent a community of legitimate interests.

Moreover, Peruvian foreign policy must be focused on the objectives of national defense. In fact, the main raison d'etre of foreign policy is to safeguard Peruvian interests from those of other countries that may oppose it.

We must now inform you of the foreign debt situation we inherited when we assumed the government. Our predecessors, who always claimed to be good payers, by 28 July had failed to honor debts that amounted to $2.734 billion. This amount corresponds to debts due for payment in 1984, the first 7 months of 1985, and some of them even due for payment in 1983. Peru has failed to pay $575 million to the government members

of the Paris Club; $1.924 billion to the international banking sector, of which $962 million were loans for working capital that the state had to guarantee in 1983 to secure resources for the productive sector; $151 million to suppliers; and $84 million to socialist countries.

Moreover, we must point out that our overdue interests amount to $300 million, half of which has been in arrears for over 180 days. The back payments for the cost of refinancing the $2.734 billion in principal and the $375 million in interest with the Paris Club amounts to $75 million. In sum, the new government has inherited a foreign debt in arrears that amounts to $3.109 billion.

We have not only inherited a mortgaged present but also an immediate future. During the next 12 months, a crucial period for the reorganization of the national economy, the service on our principal plus interests amount to $2.456 billion. Of this sum we should pay $274.5 million to international organizations; $848.1 million to the government members of the Paris Club; $779 million to the international banking sector; $342 million to suppliers; and $232.2 million to socialist countries. The total of the pending payments and the service on our foreign debt for the next 12 months amounts to $5.575 billion; in other words, 170 percent of the value of our exports.

Certainly the country cannot pay such a sum, and thus it should find formulas to cope with this situation in an orderly way. We, therefore, consider it indispensable to reaffirm the political attitude we have already defined and which we believe is fundamental to face the debt problem. Taking our limited capacity to pay into account, we have set a limit for the servicing of the foreign debt. On 28 July in his message to the country, the president announced our decision not to pay more than 10 percent of the value of our exports. [applause]

We believe we can service the debt in this way, and so we should tell our creditors that the Peruvian Government has decided to change the rules of the game, to propose its own objectives without waiting for the signing of agreements with our creditors.

We want to be very clear on this issue because this time, unlike in the past, the decision is based not only on problems with the balance of payments but also on our limited capacity to meet budget payments. This you will be able to see for yourselves in the draft budget which I will now hand over to the president of the Congress. There you will see the effects of this revolutionary decision to change the current rules of the game.

Meanwhile it is worth pointing out that the 10 percent of our income from exports that we are prepared to allocate for the payment of the foreign debt will be assigned in a way that will permit us to obtain funds for a swift recovery.

Initially, we plan to grant privileged treatment to payments to international organizations because we have continued to receive capital from them. We could possibly pay debts due to governments that are prepared to continue supplying us with funds on advantageous terms as far as terms of payment and interest rates go. Payments to banks and other creditors will have to wait for the rescheduling of terms of payment and other conditions.

In the second place, our allegiance to the Third World and Latin America compels us to continue to advocate joining forces with other Third World nations, especially those of Latin America. Our objective is none other than a common proposal for the handling of the foreign debt, a concrete proposal on terms of payment and interest rates.

We believe that this is the only medium-term approach to the problem because if terms of payment are not extended and the interest rates do not go down, we will simply be unable to pay the debt because it is obvious to everyone that the foreign debt problem will not be solved by paying $300 or $350 million per year, which is what 10 percent of our income from exports will amount to.

We must not forget that our debt will increase at the rate of $1 billion per year through the accumulation of interests alone. In this regard, our creditors must realize the problem we are dealing with. They must understand that the debt problem must be looked upon as one that requires political solutions and that the governments and the central banks of the countries to which our creditors belong must absorb part of the financial burden of the current debt unless they want their banks to lose part of the money they made in the past from their deals with our countries.

In the third place, we have made it perfectly clear that we are not afraid of the impaired-value brand being applied to the papers issued by our country. They may be classified as impaired-value unless our creditors help us find an orderly solution to the debt problem. Nothing will happen if in October the impaired-value brand is stamped on the documents issued by our nation, just as nothing will happen if this does not take place.

The situation will remain unchanged because, as we have said several times, the debt cannot be paid under the present circumstances. We should bear in mind that the phantom of cessation of payment has been haunting us for 3 years. Peru has been in this situation for a long time now and nothing has happened because there is nothing our creditors can do.

We also believe that part of our obligations should be paid in kind, just as it is reasonable to pay in kind for some of the imports. The international economic crisis has once again brought barter, that is, trade without any money being used, into the limelight.

However, it is not a question of paying with any type of commodity. We must pay with nontraditional products that carry considerable value added and make use of national raw materials. We must pay with surplus products or else products whose supply can be easily increased. Under no circumstances can we pay at the risk of domestic shortages.

Even in this case, we believe it appropriate to discuss with our creditors the reduction of interest rates or principal so as to build into the deal the results of a renegotiation of terms of payment and interest rates which is bound to take place in the near future.

Finally, we feel that our meetings with our creditors should take place in Lima because when they were interested in offering us some loans they hastened to travel to our capital. Today, there are no reasons whatsoever for them not to come to Lima to discuss with us the conditions and terms under which we will be able to pay back their debt.

In keeping with constitutional provisions that require the executive branch to submit a draft of the nation's general budget within 30 days after the installation of the congress, I now submit for the consideration of the national Congress the draft budget of the public sector for 1986.

However, I would like to point out several peculiarities of this basic instrument of the economic policy. First of all, although the constitutional provisions I just mentioned require the draft budget to be submitted within the above-mentioned period, they fail to take into account a highly significant factor: In our case, the change of administration implied a radical change of economic policy.

This draft budget was influenced by several factors which prevailed when drafting began. For technical reasons drafting of the budget begins in April, which means that the date on which it is based have not been changed although the economic situation has changed.

The new estimates resulting from the implementation of the economic emergency measures will allow us to readjust the projected growth rates for the gross domestic product and inflation, as well as to define the prospective development of the exchange rate in 1986. This means that the budget could undergo significant changes during the congressional budget committee discussions.

In the second place I would like to point out that this budget includes a high proportion of obligations stemming from current expenditures, mainly for the payment of wages, and investments in long-term maturity projects begun by the previous administration.

Despite all this, and mainly as a result of policy measures that have to do with the payment of the foreign debt and the reorganization of the tax structure which allows us to expect higher revenues, it has been possible to restructure public expenditures in such a way that gross capital income will be much greater than that of previous years, approximately 24 percent more.

Therefore, our draft budget is coherent with our program for medium-term economic recovery in the sense that it is not a recessive or [word indistinct] budget, but rather one aimed at increasing public investments in sectors which we believe to be essential for national development.

In the third place I must emphasize our unwavering political decision to allocate, as I have said many times before, only 10 percent of our income from exports for the payment of the foreign debt as is clearly established in this draft budget of the public sector for 1986. This political decision makes it possible for the Peruvian people, especially those living in rural areas and in neglected sectors, to receive a large amount of investments.

In the fourth place I want to say that because of these technical restrictions and time limitations, the revenues do not reflect the new tax structure under which indirect taxation, which burdens the majority of the people, has been reduced while direct taxation of the most wealthy sectors has been increased.

I want to make it perfectly clear that this reorganization will be fully explained in our draft annual bill on financing which we will submit for the consideration of this Congress in due time.

Finally, I want to state that for the first time in the last 10 years an administration has come up with a balanced budget which provides for the financing of only those disbursements that have been arranged in advance, that is to say, tax revenues are the only source of funds for the expenditures that the new administration is proposing in the draft budget for 1986. This has been possible because of the political decisions made regarding the reorganization of the tax structure and the restrictions on the servicing of the foreign debt.

I want to emphasize again, however, that the heavy social debt our country has to our neglected rural and urban populations will require large investments in health and educational projects. The recovery of rural sectors, which is a central objective of our government, will eventually require internal financing. I want to make it clear, however, that this financing should not stimulate inflation.

In compliance with our constitutional duties, I want to present to you, Mr President, and through you to the national Congress, three documents: The first is the 1986 draft budget; the second is an outline of the major economic guidelines on which the budget is based and states how we were able to draft the budget in less than 15 days, in accordance with the Constitution, so that it can be studied by a joint congressional committee [applause]; and, on behalf of the president of the Republic, I also want to present to you the president's personal comments [autografa] on the 1986 budget.

Congressmen, this message is intended for you and for all our people. In the name of the nationalist, democratic, and popular government that was installed on 28 July, we have described the country's painful reality as we have seen it. We have outlined the main challenges and restrictions we will have to undertake in our revolutionary task. We have also described the objectives of our government, the strategies we will follow, our emergency program, our production reactivation program, and our policy concerning sectorial measures.

We are experiencing difficult times and we will have to wage a prolonged war against unhappiness and death. But today, like yesterday, the people are aware that our situation is not hopeless, that we have courage and specific plans which we have been implementing since our inauguration. They also know that we will not give up until enabling them to rise again, as they did in the past, with all their heart and spirit. Our people have suffered poverty, disease, injustice, and indifference long enough. We will not give up until we enable them to improve their standard of living, to make this nation beautiful and hospitable, to choose their destiny, to earn international consideration, and to assume a decisive role in promoting Latin American unity.
I believe that we became worthy of respect from the very instant that the constitutional president of the nation, Dr Alan Garcia, stated right here, in Congress, that Peru rejects the imperialist pretense of refinancing our economy, established the ground rules for the treatment our creditors will receive without compulsory and hateful intermediaries, and announced that the economic sovereignty or the destiny of our people are not subject to negotiations. [applause]

I also believe that we began to come out of the long night of the crisis and the recession as soon as we began to implement bravely and in a sustained manner the main guidelines of the policy which I have just outlined. However, our solutions will only be lasting when both leaders and people mobilize and together take the historical step to tell those who are willing to listen, and those who are not, that Peru has not died, that Peru has a destiny, and that Peru will not surrender. [applause]

PETROPERU TAKES CONTROL OF U.S. OIL COMPANIES

PY311734 Madrid EFE in Spanish 1550 GMT 31 Aug 85

[Text] Lima, 31 Aug (EFE) -- The Peruvian State Petroleum Agency [Petroperu] has announced that it has established direct supervision and financial control over the operations of the foreign companies whose operation contracts were rescinded on 28 August. A Petroperu communique released last night says that these measures will be in force during the 90-day period given in the rescission decree for the renegotiation of the new contracts. The communique says that if the contracts are not renewed at the end of the 90 days, Petroperu will totally take over the fields and areas entrusted to the contracting companies and that Petroperu has all the adequate resources to ensure their effective operation. The communique warns that, after the signing of the new contracts, the sums incorrectly invested by the foreign exploration companies in quick exploitation should be rechanneled to exploration. According to the rescission decree, the U.S. companies Occidental Petroleum and Belco Petroleum and the U.S.-Argentine consortium Occidental-Bridas did not invest the sums produced by tax exemptions in exploration work, as had been agreed. The sum not invested in these activities is estimated at over $650 million. These foreign companies apparently intend to renegotiate the new contracts. Occidental operates in the Peruvian Amazon jungle, Belco on the continental shelf, and Occidental-Bridas on the secondary recovery of the old Talara oilfields in northern Peru.

BELIZE

ESQUIVEL QUELLS DEVALUATION RUMORS, TALKS TO IMF

FL022136 Bridgetown CANA in English 2120 GMT 2 Sep 85

[Text] Belmopan, Belize, Sept 2, CANA -- Belize's Prime Minister Manuel Esquivel says measures implemented by his eight-month-old administration to support the ailing national economy are achieving their objectives and as a result devaluation of the Belize dollar is out.

Esquivel, who is also minister of finance, made the point to quell fears of an imminent devaluation of the local currency, prompted by a Mexican newspaper report that quoted a Belizean Government minister as saying the currency was being re-aligned.

The vigorous steps taken by...government to rescue the national economy are succeeding in putting our economy on a firm footing, Esquivel told reporters. As a result, our dollar remains strong so that there is no basis whatsoever for any speculation about devaluation.

Following reproduction of the DIARIO DE YUCATAN article in an opposition newspaper here, Esquivel summoned a weekend cabinet meeting to discuss the report quoting Energy and Communications Minister Israel Alpuche as saying the devaluation would come under an agreement with the International Monetary Fund (IMF) for long-term credit to strengthen the livestock industry. Alpuche denied making such comments to the Mexican newspaper.

Esquivel said the irresponsible report had set out to create unnecessary and unjustifiable fear in an effort to catch attention.

On top of the report, official sources said government expenditure continued to exceed revenue and Esquivel and officials of his ministry were now entertaining a team from the IMF. Finance officials have been tightlipped about the possible outcome of the talks here.

COSTA RICA

GOVERNMENT PROTEST TO NICARAGUA ON 27 AUG ATTACK

PA310408 San Jose Radio Reloj in Spanish 0100 GMT 31 Aug 85

[Text] The Costa Rican Government has lodged a strong protest to the Sandinist regime for the Tuesday night, 27 August, armed attack on a watch post and a health center in Boca de San Carlos. The protest note signed by Foreign Minister Carlos Jose Gutierrez says that for 30 minutes the watch post was under fire and at least 150 bullets hit the post, which is evidence of the attack.

Since the Sandinist regime claims to have absolute control of the zone in Nicaraguan territory, it cannot argue now that the attack was carried out by unidentified groups, which is another violation of our sovereignty.

Although Nicaraguan President Daniel Ortega says that relations with Costa Rica are normal and friendly, the Sandinist People's Army, EPS, attacks do not conform to Ortega's words.

Whenever President Ortega or any top government official express the desire to lessen the tensions with Costa Rica, the EPS does the opposite with its attacks and aggressions, the protest note says.

The protest note also mentions a Sandinist plane which violated Costa Rican airspace from Boca de San Carlos to Barra del Colorado and that none of the EPS posts in the region saw the plane, although it was a big one.

Foreign Minister Gutierrez' note categorically rejects the Sandinist regime's accusations presented in several notes, to the effect that Nicaragua has been attacked from Costa Rican territory. On the other hand, the Costa Rican Foreign Ministry insists that the attacks are coming from Nicaraguan territory against Civil Guard posts in Costa Rica, which leaves much to be said about the wish and efforts of the Sandinist regime to lessen the existing tensions between the two countries.

Meanwhile, the Costa Rica Government has asked the Nicaraguan regime to coordinate the actions of the government and the EPS, so that relations between Costa Rica and Nicaragua can be normal again.

GUTIERREZ LINKS DIALOGUE TO NICARAGUAN APOLOGY

PA030217 San Jose Radio Reloj in Spanish 0100 GMT 3 Sep 85

[Text] The Costa Rican authorities have expressed skepticism about an agreement with Nicaragua. The Costa Rican authorities are skeptical that the Nicaraguan regime will stop the Sandinist Army's aggressions against our national territory through negotiations or direct dialogue.

Foreign Minister Carlos Jose Gutierrez said that it is not true that Costa Rica is opposed to or is hindering the efforts of the Contadora Group, but that dialogue will not take place as long as Nicaragua does not assume responsibility for the regrettable incidents at Las Crucitas.

Because this involves actions of such seriousness, it is necessary that there be an explanation or apologies on the part of the Nicaraguan Government as a demonstration of a change regarding the aggressions.

According to Costa Rica, Nicaragua's aggressions through the Sandinist People's Army lead it to believe that they cannot be stopped through negotiations. If the Nicaraguan regime is unwilling to admit its errors or the acts of aggression it has committed, what faith can any government that negotiates with them have in their promises for the future, Gutierrez said emphatically. For these reasons, we will not attend any direct dialogue with the Sandinists until apologies are received for the events at Las Crucitas and the bombing at Barra del Colorado.

'PEACE MISSION' PREVENTED FROM ENTERING NICARAGUA

PA301829 Paris AFP in Spanish 1803 GMT 30 Aug 85

[Text] Managua, 30 Aug (AFP) -- The official station Voz de Nicaragua has reported that Costa Rican immigration authorities today prevented a peace mission headed by former President Jose Figueres from crossing the Nicaraguan border. According to initial reports, the peace mission was stopped at approximately 0900 at the Los Chiles border post "because its documents were not in order," the station noted.

The Costa Rican peace mission is being awaited in Nicaraguan territory by a government delegation composed of Culture Minister Ernesto Cardenal, Deputy Foreign Minister Jose Leon Talavera, and Clemente Guido, vice president of the National Assembly.

According to plans, the two delegations will sail along the bordering San Juan River, which has been the scene of heavy clashes between Sandinists and guerrilla fighters, in order to promote detente and peace.

EL SALVADOR

PRTC COMMUNIQUE ON CAPTURED COMMANDOS, ZONA ROSA

PA302218 San Salvador Radio Cadena YSU in Spanish 1800 GMT 30 Aug 85

[Communique issued by the Revolutionary Party of Central American Workers, PRTC, dated 30 August in Sal Salvador]

[Text] 1. In response to the propaganda campaign launched by Duarte and his joint general staff regarding the capture of members of the heroic Mardoqueo Cruz Urban guerrilla commandos who participated in the "Yankee, Aggressor in El Salvador, Another Vietnam Awaits You" political-military operation, our Communist Party informs the Salvadoran people, the peoples of Central America, and the peoples of the world, that this crude campaign has been prepared by the government to ingratiate itself with U.S. imperialism. Clear proof of this is the letter that Duarte quickly sent to Ronald Reagan reporting on the success they had had, and requesting an increase in the escalating U.S. intervention in our fatherland, and Ronald Reagan's response that came back very quickly, congratulating Duarte and promising to grant more aid.

2. They state that from the first moment of this action, the line of conduct adopted by the Salvadoran Government headed by Duarte and by the U.S. Government itself, has been one of lies. They lied when they said that the four military men killed belonged to the gringo Marine guards. The truth is they were two captains and two sergeants. Internationally, this is well known. Meanwhile, Ronald Reagan and Duarte have not clarified the true commercial interests that were hidden by those other two famous businessmen, also U.S. citizens. What about the Chilean and the Guatemalan? They lied when they claimed that the Zona Rosa strategist in Usulutan had fallen. They are lying when they say that three members of the Mardoqueo Cruz commandos have been captured; the fellow patriots they have accused, captured, and tortured are nothing more than poor victims. They have served to justify the escalating intervention in Central America.

3. Who are the captured persons? Dimas Aguilar's only crime is that he is the brother of a companero who is a political instructor in the Luis Adalberto Diaz detachment, whose alias is Ulises. Mr Garcia Melendez, captured by the FBI in the United States, has no political background linking him to our organization. The youth Celio Rivas Bolanos has been a victim of blackmail, repression, and torture, even before the operation in the Zona Rosa.

4. We inform the world that there is a dirty war promoted very specially at this time by the Christian Democratic Government, the Army, and U.S. imperialism against the FMLN.

5. Our organization, the "Yankee, Aggressor in El Salvador, Another Vietnam Awaits You" operation, is within the framework of our war, a deep and expansionist blow against the interventionist foreign forces.

6. The alleged statements by the presumed participants in the action were made in the torture chamber at the National Guard, and after kidnapping their closest relatives, fathers, brothers, and children, and so forth. Finally, we would like to inform the leaders of this regime, the politicians as well as the military, that if we decided to respond to them using the same methods they are using in this dirty war, we are sure that they would not be able to fight back.

United to fight until the final victory.

FMLN DENIES HONDURAN REPORTS ON REFUGEE 'MASSACRE'

PA310216 (Clandestine) Radio Venceremos in Spanish to El Salvador 0039 GMT 31 Aug 85

[Communique issued by FMLN -- date and place not given]

[Text] In relation to the massacre perpetrated by Honduran troops against the population at the UN refugee camps in Colomoncagua, Honduras, the FMLN declares:

1. It is absolutely false that there were FMLN armed fighters at those camps, and that this caused the massacre.

2. The reports on an armed incident with guerrillas is a lie to justify a repressive action that was coldly preconceived and calculated by the Honduran Army's high command, under the advice of the U.S. military commanders stationed in Honduras.

3. For several months, a number of incidents have taken place aimed at creating the conditions to increase the intervention of U.S. and Honduran troops at the border region. These actions include pressures to dislodge the refugees, arrests, threats, blockade of medicine and food, and so forth, as well as constant incursions of Honduran troops in our country to burn houses, destroy crops, and abduct and kill civilians. These repressive actions are coordinated between the Honduran and Salvadoran troops to depopulate the border and to facilitate the agreement to deliver Salvadoran territory to Honduras in exchange for more participation of the Honduran Army in the Salvadoran conflict. These actions also include the military deployment of U.S. troops at the border region, particularly in Colomoncagua. It is clear, then, that there is interest in provoking an incident to justify the dislodgement of the refugees.

4. We urge the Honduran people and the international press not to give credit to the reports issued by the Honduran high command. The results of the massacre speak for themselves. The victims of the incident, both dead and wounded, are children, women, elderly people. Those who received bullet wounds are refugees.

5. The only resistance that the Honduran Army might have faced from the refugees is that of a dignified and brave people, who although defenseless, resist repression. Even the children and the elderly defend their dignity with honor, opposing the unjust and cowardly action against them.

6. The government of Napoleon Duarte, complying with instructions from the Reagan administration has fostered this repressive policy against our compatriots, as well as the constant incursions and harassment of the population at the border region. This slaughter has gone beyond limits. It is necessary for Mr Duarte to end demagoguery, to assume his responsibility. Revolution or death, we will win!

FMLN, El Salvador, 30 August

GUATEMALA

DEMONSTRATORS LOOT, ATTACK BUS TO PROTEST FARES

PA030045 Hamburg DPA in Spanish 0058 GMT 3 Sep 85

[Text] Guatemala City, 2 Sep (DPA) -- Demonstrators who protested against the increase in urban bus fares and against inflation in general have been blamed for shattering store windows and looting that took place today in Guatemala City.

Among the reports on the looting is one about a shoe store in the downtown sector of the capital, which was left completely empy by a mob that stormed into it and broke its windows.

In addition, some 100 meters from the Government Palace, an urban bus was stoned, and only fast action by the police kept it from being set on fire like 20 other buses last week.

Banks, public offices, and other establishments locked their doors and worked "behind closed doors." The post office headquarters, in front of which the demonstrators marched, was closed and service was interrupted. The people inside had to leave several hours later via side doors.

Late this afternoon, police carrying tear gas cannisters and other anti-riot gear took up positions at strategic places in the city, mainly near the Government Palace, and diverted the vehicular traffic. Apparently, the police are preparing to block access to other demonstrations that have been announced.

A police spokesman reported that some 65 people, including minors of both sexes as well as elderly people, were arrested during today's disturbances.

Five Wounded, 300 Detained

PA030443 Panama City ACAN in Spanish 0415 GMT 3 Sep 85

[Excerpts] Guatemala City, 2 Sep (ACAN-EFE) -- The disturbances caused by the hike in urban transportation fares continued tonight in various sectors of this city. The police's antiriot squads have used tear gas bombs to scatter the demonstrators; they have spread into small groups all over the city. More than 300 people have been detained and at least 5 others have been wounded, including 2 policemen, during the clashes that began this afternoon near the San Carlos University, USAC.

Several vehicles were burned in Guatemala City by the demonstrators, who also destroyed and plundered some stores. According to unofficial reports, other groups of demonstrators were scattered by the police with tear gas tonight in various sectors of the city. During their protest, the demonstrators announced that the incidents will not cease until the military government headed by General Oscar Mejia Victores suspends the 0.05 of a quetzal ($0.05) hike in the urban transportation fare.

HONDURAS

CLASH IN SLAVADORAN REFUGEE CAMP CONFIRMED

One Dead, 10 Injured

PA301507 Tegucigalpa Voz de Honduras Network in Spanish 1145 GMT 30 Aug 85

[Text] The press department at Voz de Honduras has learned from a reliable source that on Wednesday the Honduran Armed Forces were told that Salvadoran rebels were operating in a Salvadoran refugee camp in Colomoncagua. The military high command immediately ordered the deployment of special troops and others of the 10th Infantry Battalion, who were instructed to surround the camp and conduct a thorough inspection to confirm the report.

The arrival of Honduran military personnel in the camps provoked the reaction of the refugees, who attacked the troops with sticks, hurled stones at them, and finally fired guns. According to the confidential report received by this newscast, the refugees disarmed one of the Honduran soldiers and shot him at close range with his own rifle, seriously wounding him.

The action spurred an intense exchange of fire during which more than 10 people were wounded, several arrested, and a refugee killed.

Our reporters will approach the Armed Forces within the next few fours to confirm the report supplied by a confidential but fully reliable source.

This development confirms that the Salvadoran refugee camps located near the Salvadoran border are rebel safehouses.

Armed Forces Communique

PA302348 Tegucigalpa Domestic Service in Spanish 2245 GMT 30 Aug 85

[Official communique from the Honduran Armed Forces Public Relations Directorate; no date or place given]

[Text] 1. On 27 August, members of the 10th Infantry Battalion captured Jose Antonio Chicas Sanchez in the sector of Colomoncagua, Intibuca Department, and confiscated one M-16A1 rifle and four ammunition clips.

2. The detainee was interrogated and his nationality and active membership in the Salvadoran guerrilla groups was ascertained without doubt. Likewise, the detainee said that he and a large group of rebels from that neighboring country had entered Honduras with the intention of recuperating in the refugee camp which is located in the area, and to eventually carry out actions from Honduran territory against the neighboring country's government. Given this information the 10th Infantry Battalion authorities decided to carry out an inspection on 29 August to ascertain if the criminals had infiltrated the Salvadoran refugee camps in Colomoncagua -- who would be identified by Chicas Sanchez. A report outlining these plans was submitted to the UN High Commissioner for Refugees.

When the military patrol arrived at the refugee camp a man attacked Corporal Raul Trejo Flores, snatching his weapon away and wounding him in the leg. Consequently, another member of the Honduran patrol shot the aggressor, killing him, and wounding a third party with the same bullet. Following this, the military authorities captured 10 alleged subversives who will be fully investigated according to the law. The man who was wounded during the clash is being attended to by Honduran medical professionals. It is appropriate to mention that, on several occasions, the Honduran Armed Forces have tried to establish a supervision and vigilance system which would prevent criminals from using the refugee camps as sanctuaries for their operations and prevent them from causing deplorable situations like the one mentioned.

The Honduran Armed Forces hereby reiterate that they will carry out their constitutional duty and will not allow any foreign person to disrupt the order and peace which prevails in the Republic.

Public Relations Directorate, Honduran Armed Forces

POLICE, U.S. SOLDIERS ALLEGEDLY TORTURE NURSE

PA022325 Panama City ACAN in Spanish 2215 GMT 2 Sep 85

[Text] Tegucigalpa, 2 Sep (ACAN-EFE) -- U.S. soldiers and members of the Honduran secret police were charged today with torturing a woman in Olanchito, Yoro Department, on the country's northern coast.

According to her relatives, nurse Rosa Amalia Almendares was detained by secret police members on Wednesday, and then later taken to a U.S. base in Olanchito, and then to a hill, where she suffered all kinds of humiliations.

According to the sources, she was detained at El Juncal and tortured at Uyuca hill. Her relatives have reported that she is now suffering from internal hemorrhages, and that her wrists were broken by the heavy ropes with which she was bound.

The sources reported that the nurse was charged with receiving money from Nicaragua for subversive activities in the Yoro Department. The Honduran nurse was carrying a sizable sum of money when she was detained. According to her relatives, the money represented back salaries paid to her by the Health Ministry.

The police have reported that Almendares is the former wife of a Honduran citizen now residing in Nicaragua. This could have gotten her involved in political activities. Honduran official circles have remained completely silent on the report.

U.S. priest John Donald was the first to charge the U.S. troops stationed at Olanchito with torturing civilians. Donald was taken into custody at the beginning of the month by the Honduran secret police in Saba, Colon Department, on the Atlantic. He was later taken to two U.S. bases in Yoro and then to Tegucigalpa. The priest was also suspected of being involved in subversive activities and of haranguing the Honduran people against the presence of U.S. troops in the country. Nevertheless, the priest was released when none of the charges against him was proved.

U.S. and Honduran troops have just completed the "Cabanas-85" joint counterinsurgency military exercises in Yoro.

NICARAGUA

NORA ASTORGA DENIES ATTACK ON BOCA DE SAN CARLOS

PA030249 Managua Domestic Service in Spanish 0057 GMT 3 Sep 85

[Letter from Acting Foreign Minister Nora Astorga to Costa Rican Foreign Minister Carlos Jose Gutierrez -- date not given]

[Text] Managua, 2 Sep -- Dear Minister: I hereby address Your Excellency to acknowledge receipt of your note dated 30 August in which you indicate that at "about 2130 on 27 August, members of the Sandinist People's Army [EPS] initiated an attack with rifle and mortar fire against the Costa Rican Civil Guard's garrison at Boca de San Carlos in Costa Rican territory."

Regarding this, the Nicaraguan Government wishes to express its surprise and concern over this attempt to gratuitously attribute to Nicaragua events absolutely alien to this country. Regarding Your Excellency's assertions, it is up to Nicaragua to stress the difference between words and deeds. The fact that Costa Rican authorities themselves -- specifically Captain Carlos Pacheco, chief of the Costa Rican Civil Police's Atlantic command -- have stated they have no information on the origin of the incident mentioned in your note, is clearly contradictory.

As Your Excellency will understand, it is impossible for the Nicaraguan Government to accept responsibility for events that Costa Rican authorities themselves say they know nothing about. Further, the Nicaraguan Government is in a position to state that the EPS has not at any time initiated an attack against Costa Rican territory.

Quite the contrary, the Nicaraguan Government hereby points out the grave and repeated attacks from Costa Rican territory on 21, 22, 25, 26, and 29 August. Three of these attacks occurred against the Boca de San Carlos Nicaraguan post on the San Juan River. Likewise, may I mention that these facts coincide with charges filed by several Costa Rican citizens residing at the border zone. They have expressed their growing insecurity because of the presence and activities of unconventional groups in Costa Rican territory.

Once again, the Nicaraguan Government stresses that this is not the time for fruitless disputes, but to sincerely find lasting formulas for a climate of peace that the Costa Rican and Nicaraguan brother peoples desire. Once again, Nicaragua reiterates its willingness to establish a neutral security zone to prevent the estrangement that foreign interest try to impose upon us, disguised as artificial conflicts that oppose our geographical destiny and our people's peace, concord, and friendship.

I hereby reiterate to Your Excellency my most sincere appreciation.

[Signed] Acting Foreign Minister Nora Astorga

PRESIDENCY ON COSTA RICAN PEACE DELEGATION VISIT

PA302058 Managua Radio Sandino in Spanish 1930 GMT 30 Aug 85

[Communique issued by the Nicaraguan Information and Press Office of the Presidency on 30 August]

[Text] The Information and Press Office of the Presidency of the Republic reports to the Nicaraguan people that Costa Rican immigration officials did not allow several Costa Rican political and labor leaders and journalists, who formed part of a delegation headef by former Costa Rican President Jose Figueres, to leave their country.

The delegation was going to San Carlos in a gesture of peace and brotherhood. Only part of the delegation achieved its objective.

Those who were allowed to cross the Costa Rican border included Jose Figueres and Enrique Carrera, his personal secretary. Others who crossed the border are (Miguel Guillen), ieputy of the National Liberation Party; (Nova Ovares), a labor union leader; an AGENCF FRANCE PRESS journalist; and Ricardo Gonzalez, a Radio Monumental journalist. They are participating right now in an act of Costa Rican-Nicaraguan brotherhood at which Nicaraguan Culture Minister Ernesto Cardenal, who is a poet and a [word indistinct], will speak.

The Costa Rican authorities have said that they would not allow the other members of the delegation to leave because they did not comply with immigration requirements.

For peace, everybody against the aggression.

DECLARATION CONDEMNS APARTHEID, DENOUNCES U.S.

FL311248 Havana Domestic Service in Spanish 1100 GMT 31 Aug 85

[Text] The declaration issued by the Cuban Revolutionary Government condemns repression in South Africa and calls it open contempt of humanity's indignant conscious. It indicates the minority racist government of South Africa is increasing in a horrifying manner mass assassinations, ferocious hunting of patriots, tortures, repression, and persecution of the growing people's movement that repudiates and resists that monstrous and denigrating system. Further on, the declaration stresses there is no doubt that convulsive and explosive situation is an indication of the insurmountable domestic crisis the odious regime is experiencing.

Another part of the government's declaration stresses: Along with its military power and its henchmen, the Pretoria regime counts on the cynical and barely hidden complicity of the U.S. Government. Upon referring to the so-called U.S. constructive compromise in reference to South Africa, the declaration warns that policy is nothing more than the open formula of imperialism for the purpose of continuing to use the racist regime as a military gendarme in the area, maintaining the illegal occupation of Namibia, and delaying that country's access to independence as well as continuing the instability of neighboring independent countries, victims of reiterated threats, armed aggression, and pressures of all kinds.

After calling on all governments, the United Nations, the Nonaligned Movement countries, and all the progressive, democratic peoples and forces of the world to condemn the brutal repression of the apartheid regime, the declaration concludes by affirming: The revolutionary government and the people of Cuba are convinced that there will be no power in the world capable of preventing the South African black people's victory in their heroic struggle for their democratic rights.

COUNTRIES TO DEMAND MODIFIED DEBT PAYMENT TERMS

PA011522 Havana International Service in Spanish 0000 GMT 30 Aug 85

[Text] In San Jose, Ennio Rodriguez, minister counselor on foreign debt, has called for the lending banks to modify repayment conditions for small Latin American countries and added that Central American, Caribbean, and some South American countries will meet in San Jose from 27 to 29 November to demand such a modification. We will sit and negotiate frankly with our creditors on the terms for payment of our debts and we will analyze the international financial picture, the Costa Rican minister concluded.

Beginning on 10 September, representatives and experts of the Cartagena Consensus will meet in Montevideo for the purpose of evaluating the Latin American foreign debt. The meeting will take place as part of the preparatory phase of the fourth ministerial meeting of the 11 Latin American countries that make up the consensus and it is expected the EEC government representatives will attend.

DELEGATION TO ATTEND PARLIAMENTARY CONFERENCE

FL302358 Havana Domestic Service in Spanish 2300 GMT 30 Aug 85

[Text] Severo Aguirre, Central Committee member and vice chairman of the National Assembly of the People's Government, will head the Cuban delegation to the Inter-Parliamentary Union conference to be held in Ottawa, Canada, from 2 to 7 September. The Cuban delegation will also be composed of Deputies Elia Garcia Patino, Reynel Regal, Ramon T. Ferro, and Ada Martinez.

Debt To Be Discussed

FL021352 Havana Domestic Service in Spanish 1100 GMT 2 Sep 85

[Text] The foreign debt is the main problem the Latin American group will submit for discussion at the 24th World Interparliamentary Conference beginning in Ottawa, Canada, today. The Latin American delegation met to unify the regional position they will assume at that important meeting where parliament members from 103 countries will participate.

COMMENTARY ON NONALIGNED MEETING IN LUANDA

PA011458 Havana International Service in Spanish 0000 GMT 1 Sep 85

["World Events" commentary]

[Text] With the dismemberment of the colonialist system of domination, the upsurge of national liberation movements, and the better ideas and achievements of the world's progressive nations, the Nonaligned Movement was created in 1961, and became a solidarity instrument in the struggle for national independence, sovereignty, territorial integrity, and the self-determination of the organization's member states. Since the beginning, the movement has adopted a firm stance for decolonization, against imperialism, racism, Zionism, apartheid, and the arms race; and in favor of peace and economic achievements for the member countries. Since then, the U.S. imperialism has tried to boycott the organization's activities in order to divide it, but all its efforts in this direction have failed.

One of the U.S. imperialism's dirtiest campaigns occurred in 1979 against the sixth Nonaligned Movement summit meeting, which was held in Havana. For their purposes, the imperialists chose a hurricane in the Caribbean as their instrument. Hurricane David was used to try to frighten the heads of state or government, or the foreign ministers and ministers who were slated to participate in the meeting. As in other instances, however, the U.S. Government's attempts failed and the sixth summit meeting was successfully held in Havana. All of imperialism's defeats have not succeeded in deterring its efforts to weaken the movement's unity and now it is directing its claws at the ministers' meeting to be held in Luanda beginning Monday. Nevertheless, the young Republic of Angola has successfully completed all preparations for the nonaligned ministerial meeting, while at the same time it is engaged in an unusual process of economic and social recovery, as well as in the constant defense of its borders, which are relentlessly attacked by the South African racists.

At the Luanda meeting, the Third World foreign debt, protectionism, and the need to establish a new international economic order will be discussed. These topics were considered in 1979 during the meeting held in Havana, were presented at the United Nations by the then president of the movement Fidel Castro, and were ratified in 1983 in New Delhi during the organization's sixth summit meeting. The importance of these economic topics, which are included in the draft statement of the coming ministers' meeting, lies in that they have served as battle cries for the undeveloped countries in their basic demands before the capitalist and industrialized nations.

This is precisely what worries the U.S. imperialists the most. They and their Western allies have subjected the nonaligned countries to brutal exploitation and are directly responsible for the difficult situation that prevails in the Third World nations.

One hundred forty delegations have confirmed attendance at the Luanda conference prior to the eighth summit meeting. This indicates that no campaign orchestrated by imperialism will prevent the nonaligned countries from continuing the struggle that they began 25 years ago against imperialism, colonialism, racism, and in favor of political and economic achievements for the member countries.